HYDERABAD REALTY GUIDE

(A comprehensive reference guide for investors in real estate)

Vol.1 Issue 1 2016 USA Edition

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Letter from the Publisher

In keeping with our objective of bringing out focused Indian city editions to US NRIs on real estate market, we are pleased to present a special edition on Hyderabad realty market. Post-bifurcation, the Telangana state government swung into action and has been proving that it means business when it comes to the question of overall development.

The state government has identified 14 thrust areas and has plans to develop six industrial corridors and common infrastructure for various industries. The policy framework lists sector-specific incentives and steps for the development of a hassle-free and transparent environment for units to set up operation.

The state has been ranked second in IT exports ($8 billion) and employs over 3.71 lakh IT professionals. The IT industry is poised to grow to $50 billion by 2025. The Pharma City will come up on 1,000 – 2,000 acres of land in Kazipally and Bolarum, adjoining the ORR in northern region. The Information Technology Investment Region (ITIR) will have 12,000-acre area with a 15-20-year horizon for completion. The total investment would be around $36.5 billion, of which IT/ITES alone is projected to attract investments valued at $19.7 billion.

The T-hub is a government of Telangana initiative and is said to be India's largest incubator for start-ups. It has already received over 400 applications from start-ups across the country. The T-hub has a capacity to house over 800 start-ups in a phased manner.

The Aerospace SEZ at Adhibatla on the outskirts will change the skyline of the city in the coming years. Samuha is a consortium of Aerospace Industries, which will anchor the development of the Aerospace Park. Tatas have made major investments.

With all-round development in diverse areas, can real estate growth remain behind? After a prolonged spell of hibernation, Hyderabad realty market is gearing up for better days. Office space absorption has recorded 3.5 million sqft in 2015 and rentals are marginally inching high across select micro markets. The residential market absorbs anywhere between 20,000 and 30,000 units every year and is seeing good traction now. New projects are being launched. In fact, the city has inherent advantages like lower pricing and multiple options.

For any city, the three factors that are vital for the continued growth are job opportunities, infrastructure development and good governance. There is no denying that the pearl city of Hyderabad has it all. There will be increase in demand for commercial property which in turn will generate employment leading to more demand for housing. For investors, the timing is just appropriate to enter the market.

Priya Publications is pleased to organise its ninth India Property Show in US during April in Edison, Fremont and Seattle. Seminars and panel discussions on FDI/NRI investment in real estate will form an integral part of the event to update US NRIs on current market trends.

V. Nagarajan

January 5, 2016

V. Nagarajan
Email: priyapublications@gmail.com

Editorial team

Editor and Publisher
V. Nagarajan

Editorial and administration office
26/21, South Mada Street
Sri Nagar Colony, Saidapet, Chennai 600015
Tel. 42043857, 91766 27139
E-mail: priyapublications@gmail.com, nagarajan53@gmail.com
Website: www.priyapublications.com

Advertising and Sales
Ph. : 42043857, 9176627139

Design and Layout
Fairy M, 98419 33854, 98848 33854

Representatives in USA
N. Raghavendran Tel. (785) 979 5497
Priya Nagarajan Tel. 669 777 3306

Representative in UK
Siva Sekaram, Tel. +44-208-204-8595

Representative in Malaysia
Maheshwari +60163249214

Representative in Hong Kong
Ibrahim, HongKong Jewel House,
Tel. 23666664 Fax: 23666674

Distribution Scenario
Bay area and LA

Distribution in India
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All enquiries in connection with the publication should be addressed to
Priya Publications,
26/21, South Mada Street, Sri Nagar colony,
Saidapet, Chennai 600015, India.
E-mail: priyapublications@gmail.com

USA Edition

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USA Edition

Hyderabad – A Mega City in the Making

With political stability and proactive government, Hyderabad is poised for a major leap in overall development in the years ahead, says V Nagarajan

Hyderabad is more than 400-year-old city with rich cultural heritage and cosmopolitan social structure. The city is the capital of the newly formed state of Telangana. Andhra Pradesh has been bifurcated into two successor states – Telangana with ten districts and Andhra Pradesh with thirteen districts. Hyderabad will be the joint capital for both states for the next ten years, until a new capital for Andhra Pradesh is formed.

K.Chandrashekar Rao
Chief Minister of Telengana

The city is the largest contributor to GDP, tax and other revenues of the Telangana state. It is the sixth largest deposit centre and fourth largest credit centre nationwide, as per the Reserve Bank of India. Its $74 billion output has made the city the fifth-largest contributor to India's overall GDP, according to The Financial Express.

Hyderabad has a total population of 8.6 million, according to the United Nations-World Urbanisation Prospects – The 2014 Revision. However, the initial findings of the recently conducted integrated household survey by the Government of Telangana revealed that the total population of Hyderabad is more than 12 million.

Almost half of the population of Hyderabad form the working population and the population of the city has been witnessing an annual growth rate of 3.3%. Although Hyderabad has faced many challenges that hindered its growth for the past few years due to the global financial crisis and political uncertainty, it is now slowly setting its path towards growth again. The new state government has great plans for the development of Hyderabad, to improve its brand value and create employment. With state-of-the-art infrastructure and the improved business environment, Hyderabad will return to its growth trajectory, according to a joint survey by JLL and Telangana Real Estate Developers Association (TREDA).

Hyderabad was traditionally a service and manufacturing based economy. In the late 1990s, as the IT revolution started in the country, the city emerged as one of the key cities for IT growth. This IT development drove the real estate and infrastructure development of the city. The proactive government support and the state-of-the-art infrastructure plan for the city attracted investors and developers from across the globe to move into Hyderabad.

The state has been ranked second in IT exports ($8 billion) and wants to scale up further. The state is also building the T-Hub, a new lifeline for entrepreneurs that will provide an incubator eco-system and a start-up culture in the city.

The 12,000 acre Information Technology Investment Region (ITIR) will have 15-20 year horizon with an outlay of Rs 2,00,000 crore with the first phase expected to roll out before 2019. It is expected to provide direct employment to 15 lakh people and indirect employment to 35 lakh. The IT industry is poised to growth to $50 billion by 2025, according to Nasscom.

Hyderabad houses more than 3.71 lakh IT professionals and is the second largest IT exporter after Bengaluru. "We are planning to double exports from Hyderabad from Rs 66,276 crore in 2014-15 to Rs 1,2, 5,000 crore by 2019, according to K T Rama Rao, Minister of Information Technology and Panchayat Raj, as quoted in The Financial Express.

T-hub is a Launchpad for technology-related start-up entrepreneurs. The city has received over 400 applications from start-ups across the country. They are in the process of shortlisting about 200 start-ups, initially engaged in health-care, agriculture, smart cities, urban sanitation, among other things. T-hub has a capacity to house over 800 start-ups over a phased manner.

Other sectors, such as pharmaceuticals, semiconductor and telecommunications, also started growing in the city, leading to the overall development of the city. The Pharma City would come up on 1,000-2,000 acres of land in Kazipally and Bolarum, which adjoins the outer ring road, north of Hyderabad. At present, there are 412 pharma companies and 173 bulk drug units in Telangana.

The government of Telangana has identified 14 thrust areas and has plans to develop six industrial corridors and common infrastructure for various industries, among other things.

In terms of infrastructure development, Hyderabad metro rail project is ongoing at a fast pace while the Nehru Outer Ring Road project is about to become fully operational. Overall, although things are moving at a slow pace, positive sentiment is slowly seeping into the real estate market. This activity is likely to etch a new path for development of the city by 2022.

The city has all the qualities needed for witnessing strong development. All it needs at this point of time is an improvement in business and investor confidence in the city. As such, Hyderabad has to be prepared, with policy support from the state government, to attract new business and investment into the city. Proactive support from the state government can bring back the investor confidence into the city and give a push to the overall development. The central government plans to develop 100 smart cities and housing for all by 2022. This is a great opportunity for Hyderabad. With the joint effort of the government and people of Hyderabad, the city can be brought back to the growth trajectory and it can definitely be developed into a smart city by 2022.

Courtesy: JLL and The Financial Express

Hyderabad in a Nutshell

Zoning of Localities in Hyderabad

Zone	Localities
Central Zone	Mehdipatnam, Abids, Kachiguda, narayanguda, Himayathnagar, Tolichowki, Khairatabad (West), Panjagutta, Ameerpet, Srinagar colony, Somajiguda, Jubilee Hills
North Zone	Qutubullapur, Alwal, Malkajgiri, Begumpet, Marredpally, Tarnaka
South Zone	Kanchanbagh, Begumbazaar, Rajendra Nagar
East Zone	Kapra, Uppal Kalan, L.B. Nagar
West Zone	Serilingampally, Patancheruvu/Ramachandrapuram, Kukatpally
Other zone	Shamshabad

Courtesy: NHB

Hyderabad – Population data

Population	8.6 million
Annual growth rate of population	3.3%
Total households	1.9 million
Working population	45.5% total population
Estimated population growth	1990: 4.2 million
	2014: 8.6 million
	2022: 10.5 million
	2030: 12.8 million

Hyderabad – Housing Shortage

Housing shortage of 0.5 million 2011 :1.6 million

2014 : 1.9 million

Estimated additional 0.7 million houses along required in 2022 : 2.3 million

Source: JLL


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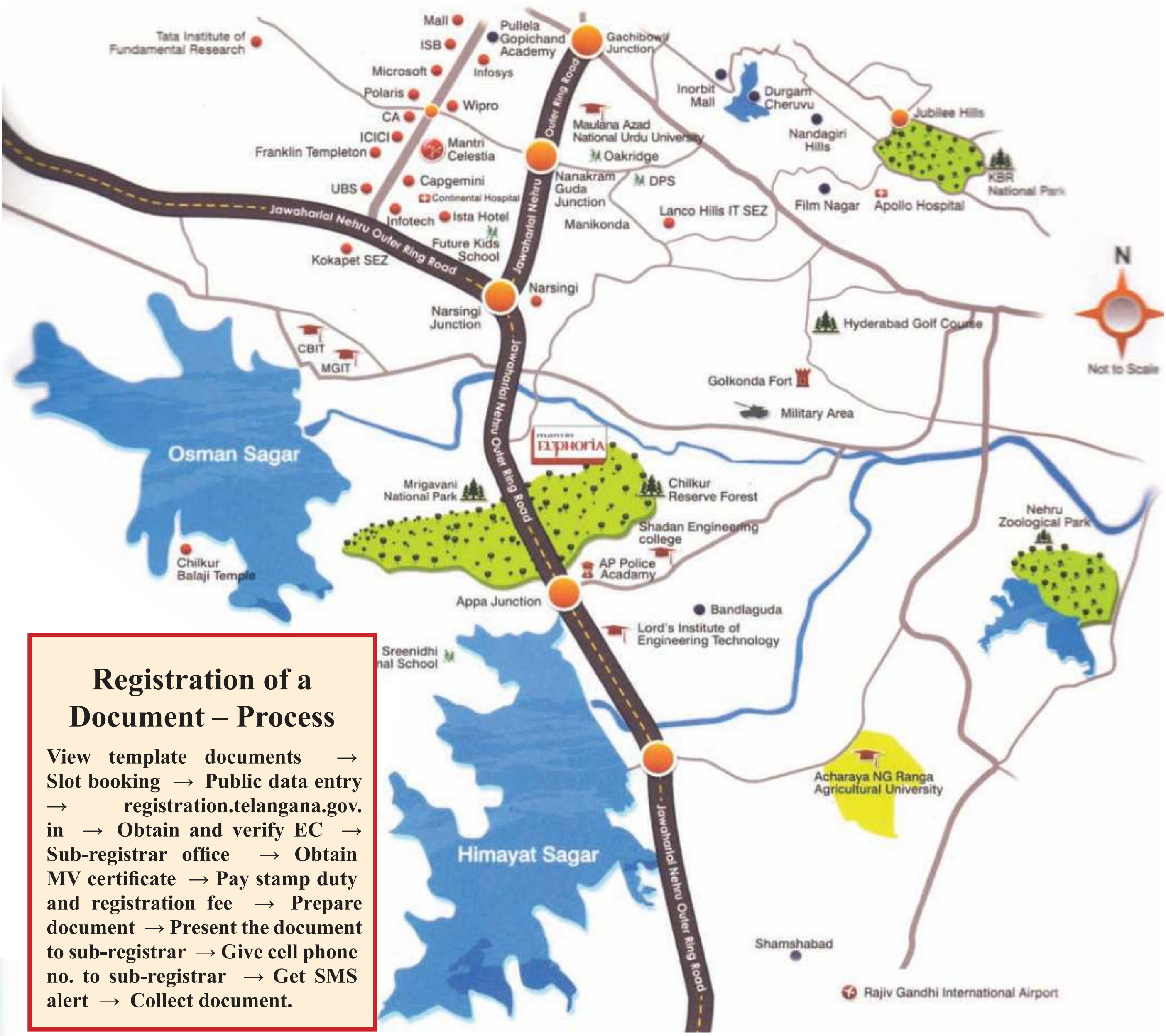

Registration of a Document – Process

View template documents → Slot booking → Public data entry → registration.telangana.gov.in → Obtain and verify EC → Sub-registrar office → Obtain MV certificate → Pay stamp duty and registration fee → Prepare document → Present the document to sub-registrar → Give cell phone no. to sub-registrar → Get SMS alert → Collect document.

Duties at a Glance

Name of the Deed	Stamp Duty	Registration fee
Sale	5.5%	0.5%
Settlement (Art.49) Family	1%	Rs 1,000 (min.)
Others	2%	Rs 10,000 (max.)
Gift (Art.29) Family	1.5%	5.5%
Others	0.5%	
Partition : Family	0.5% (subject to max. of Rs 20,000)	Rs 1,000
Others	1.0%	
Release	3%	Rs 1,000
Mortgage	0.5%	0.1%

Name of the Deed	Stamp Duty	Registration fee
Deposit of Title Deed	0.5% (subject to max. of Rs 50,000)	0.1% (subject to max. of Rs 10,000)
A.G.P.A	5%	Rs 2,000
D.G.P.A.	1%	
Power of Attorney :		
Family	Rs 1,000	Rs 1,000
Others	1%	
Exchange	5.5%	0.5%

Courtesy: Government of Telangana
New website: registration.telangana.gov.in

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Hassel Free Mentoring, to make your child a champion!
At Accurate Wind Chimes, it's hassle free to make your child a champion. The best of trainers are available at your door step to guide and train your child in a state-of-art Club House.

The Clubhouse will be managed by "Active life" a leading professionally managed company, supporting individuals & corporate teams to live, work & play healthy for a sustainable growth in personal and professional dimensions.

Life In a Living Home!
Before you decide to invest in a home, it's only natural for you to ascertain all your parameters of judgement - location, access, elevation, construction and of course, price. After putting ourselves in your shoes, we decided to go a few steps further, so that you not only get everything you expect, but also a home that actually lives. With excellent ventilation and abundance of natural light in every room, the homes at Accurate Wind Chimes actually breathe.

* All side ventilation
* Rain water harvesting
* Ample use of natural light
* Green and serene surroundings

Comforts & conveniences at your door step!
One of the biggest benefits of living in a community like Accurate Wind Chimes is the plethora of facilities that are available to you within your neighbourhood. So after a long day at work, you can go back home peacefully, knowing that you won't need to encounter the traffic for rest of the day.

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Located in the Real Estate growth corridor, 7 minutes from Gachibowli – Financial District and less than 15 minutes away from Hi-Tech City, Jubliee Hills. In close vicinity to ten reputed schools and major hospitals with easy access to the airport within 20 minutes makes the location much sought after.

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Manufacturing – The Next Growth Driver

Hyderabad is a diversified economic zone with varied industries, including life sciences, fast moving consumer goods (FMCG) and automobiles. During the 1950s and 1960s, most of India's premier public enterprises were established in Hyderabad, giving an edge to the traditional manufacturing base and bringing in technological advancements. Public sector industries such as BHEL and national industrial research institutes such as DRL, CCMB, IICT etc have developed large townships in the city in the yesteryears and drove the economy of the city until the IT revolution started in Hyderabad, according to JLL survey.

Occupier	Occupier Type	Area (Acres)	Location
TATA Advanced Systems	Aerospace	50	Adibatla
P&G	FMCG	170	Kothur
Augusta Westland	Aerospace	10	Shamshabad
Mahindra and Mahindra	Automobiles	100	Zaheerabad
Alexandria Biotech Park	Biotechnology	300	Shamirpet
ICICI Knowledge Park	Biotechnology	200	Shamirpet
Piramal Healthcare	Pharmaceuticals	100	Medak
Johnson & Johnson	FMCG	60	Kothur
MRF	Automobile	165	Medak
Cogent Glass	Glass	30	Mahabubnagar

Source: JLL

The Telangana government is likely to have a signle window clearance for industries planning to set up their operations in the state, and industrial projects are expected to be able to get clearances, which currently takes 60 days, within 15 days. The new industrial policy will also focus on infrastructure development to attract investments into the state.

Hyderabad has greatly benefited from the setting up of world-class infrastructure that provides connectivity with the areas nearby, promoting industrial corridors along the national highways connecting to Nagpur, Bengaluru, Mumbai and Vijayawada. The upcoming new industrial policy will be good for Hyderabad, as more industries would provide a perfect balance to the IT boom in Hyderabad, where IT is still the dominant industry.

For sustainable economic development of the city, it is necessary to reduce Hyderabad's dependency on the IT sector and diversify into other sectors, such as manufacturing, warehousing, logistics and pharmaceuticals. Manufacturing can greatly strengthen and take advantage of the world-class infrastructure developed by the government and would provide employment and opportunities for a larger base of the economy going forward.

Manufacturing Corridors – Hyderabad

Manufacturing Corridor	Major industries	Major locations	Land value (Rs per sqft)	Monthly (Rs per sqft/month)	12-month demand outlook
Nagpur Highway, Karimnagar Highway	Pharmaceuticals/ Biotechnology	Medical, Genome valley, Kallakal, Kompally	350-450	10-16	Stable.
Mumbai Highway	Automobiles, Food Processing	Patancheru, Pashamylaram, Isnapur, Zaheerabad	370-550	9-15	Stable.
Bangalore Highway, Shamshabad	FMCG, Pharmaceuticals, Aerospace	Shamshabad airport, Adibatla, Kothur, Thimmapur, Jedcherla, Srisailam highway	200-750	10-17	Marginal/ strong increase.
Vijayawada Highway	Automobiles, Textiles	Autonagar, Sanghi nagar, Hayathnagar, Cherlapally	250-500	12-18	Stable.

Source: JLL

Advantage Hyderabad

With inherent advantages, the pearl city of Hyderabad is bound to drive investment to its fold in the coming years, says Mitesh Kulkarni

Hyderabad is one of the affordable residential markets in India. It is far more affordable city when compared with Delhi NCR, Mumbai, Bengaluru, Chennai, Pune and Kolkata. Unfortunately, real estate market in Hyderabad has remained stagnant for over seven years due to political uncertainty. With bifurcation leading to the creation of Telangana and Andhra Pradesh state, the uncertainty has at last given way to all-round optimism.

Mitesh Kulkarni

With the continuing expansion of IT and Pharma industry residential property inventory has moved up substantially over the last two years in Hyderabad. It has been estimated that over 30,000 residential units have been absorbed in the city. This upward trend in absorption of inventory is concurrent with the launch of multiple projects by larger developers.

Hyderabad has several inherent advantages for investors like lower pricing and availability of multiple options. In the last three months alone, there has been a strong uptrend in sales leading to prices inching marginally high across select micro-markets.

There is a large focus on the western zone comprising of locations like Madhapur, Kondapur, Gachibowli, HITEC City, Gopannapalli, Narsingi and Mancherevula. There has been a larger growth in the residential supply due to IT/ITes corridor. It has contributed to around 60 per cent of share in the residential property market.

The western part of Hyderabad has been well connected by roads to IT hub and the rest of the city. Proximity to outer ring road (ORR) provides ease of transportation to other areas of the city. Gachibowli is also well connected to Mehdipatnam, Banjara Hills, Jubilees Hills and Koti, which are all major city centres. The MMTS train stations are at Lingampally and HITEC city. The ORR connects Gachibowli to the international airport at Shamshabad. The western part of the city boasts of excellent Infrastructure leading to improved connectivity levels.

Infrastructure Development

The infrastructure in the pearl city of Hyderabad has been well planned to derive maximum advantage for the city. The 158-km outer ring road connects the newly developed areas. PVN Rao express highway connects the international airport and JN express highway has shrunk the commuting distance within the city. The commuting time has been reduced for people travelling between suburbs and city centres.

The planned public transportation system of Metro Rail is sure to relieve the traffic congestions in Hyderabad. A world class metro rail transportation facility would be built to transform Hyderabad into a global city. The project is expected to be complete by 2016 and will transport 15 lakh people every day. The GHMC has come up with a strategic road development programme at a cost of Rs.2500 crore to ease the traffic congestion.

Hyderabad has become a pluralistic city in the country with people from varied religions, languages and background making the city as their sojourn. With the influx of people from various regions of India and abroad, western Hyderabad has become cosmopolitan in outlook and Hindi is widely spoken as business language of the city. The city can boast of the presence of world class hotels, malls, sports facilities, international schools and hospitals to cater to diverse sections of people.

Hyderabad has earned the reputation as a city with the largest quantum of office space absorption in the country during the third quarter last year, according to property consultants Cushman & Wakefield. With corporates consolidating and expanding their operations, net office space absorption in Hyderabad topped among the top-eight cities in the country during the third quarter last year at 2.4 million sqft. Google, Amazon, Uber, Celkon are some of the big companies that have recently leased space in the city. Aerospace and Defence hubs are due to come up in the next three years generating employment opportunities for many people.

Amongst all the Indian metros, Hyderabad remains as the most affordable city for investment in immovable property. It has only seen a fair increase in rental values and uptrend in property prices due to a combination of factors, which makes it affordable to invest in property. With IT/ITeS sectors development intensifying housing demand, major real estate activity is up in western regions of the city.

While Kondapur, Gachibowli, HITECH City are well-established markets, Narsingi, Manikonda, Appa and Nanakramguda are considered as emerging markets. The average launch price of residential projects is anywhere between Rs 3,700 to Rs 6,500 per sq. ft. Considering the infrastructure development, the launch prices are relatively lower than other metros across the country.

Hyderabad has state-of-the-art infrastructure and as the most developed city in the state, it will continue to retain its dominance in the years ahead. Over the next one year, a number of IT companies are expected to occupy their offices which are presently under varying stages of construction. Buyers and investors may find it favorable now to invest in properties as valuations are still low in Hyderabad.

The three factors that are crucial for the continued growth of any city are job opportunities, infrastructure and connectivity levels, and incidentally Hyderabad has it all. Further, with the upcoming metro and improved connectivity levels, there will be increasing demand for commercial property which in turn will generate additional demand for housing. The outer ring road has the requisite impetus for the growth of real estate sector. Large companies are acquiring office space in Gachibowli to expand their existing operations and accommodate additional 30,000 employees. This will have a positive impact on the housing demand especially in the western zone.

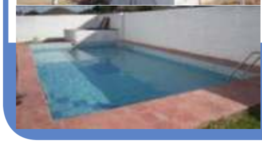
With all-round development set to engulf the pearl city, Hyderabad is gearing up for better days in real estate growth. For investors, the timing is just appropriate to enter for better ROI and capital appreciation.

Mr Mitesh Kulkarni is Chairman & Managing Director, Accurate Developers Pvt Ltd.

DEVELOPED PLOTS IN HYDERABAD





Located in Dendumahila, off Vijayawada highway, 27 km from Hyderabad CBD and 12 km from Ramoji Rao film studios. From the Vijayawada national highway it is 3.5 km inside towards Ibrahimpatnam. The project has been developed by Zonah Developers.
There are 314 plots comprising 120 Premium plots and 194 Elegant plots of 300 sqyd size.
All the plots are well developed with basic infrastructure facilities and landscaping.
Approx 61% of the total land area or 119,482 sqyd is Saleable area and the remaining is classified as open spaces.
The selling price is Rs 2100 per sqyd.

PROJECT HIGHLIGHTS

- Well laid out central 60 ft and inner 40 ft black metal roads with curbstones along footpaths
- Underground sewerage system and septic tank
- Overhead storage of water and pump house at rear side of the layout
- Lighting masts at road junctions
- HT sub-station with transformer supplying power to the layout
- Jogging trail and aesthetically landscaped gardens
- 4 villas built with swimming pool.
- All-round boundary wall giving the impression of a gated community
- Security guard station at main gate

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Better Days Ahead

With a stable government and pragmatic approach to growth, real estate development is poised for a major turnaround, says Aritra Das

Post bifurcation, Hyderabad has started to shed off its initial jitters of uncertainty and has again come up on the investors' radar.

Hyderabad is already an established IT hub and the closest competitor to Bengaluru. The city has become the country's pharma and biotech hub as well and has quite a number of aerospace and defence industries in and around it thus creating a diversified portfolio of sectors for the city.

The city's USP is its infrastructure which has always been a step ahead than its demand, thus avoiding major hindrances. The city's traffic scenario is relatively much better than other Indian metros and with Metro under construction, it will provide smoother and seamless point to point connect.

Industry Friendly Policies

The city has many things going for its success. A new government that is eager to prove to its people its incumbency, has put in place investor friendly policies to attract new industries and boost investors' confidence. Some of the key policies the government has forked out include TS-iPASS, Incubation Policy for start-ups, etc. The policy's most significant feature is TS-iPASS that promises 15 days' clearance policy and penal action against government officials as well as project being deemed approved if there is any undue delay in processing applications after 15 days. This has added accountability, transparency in the system and reduce bureaucratic red tapes. It has encouraged investors and already a several MoUs have been signed.

Hyderabad – Ideal Destination for Start-ups

Recent developments show India is bullish on start-up revolution as is clear from the PM's visit to Silicon Valley. The Telangana government too has been aggressively planning to get Hyderabad in the investment radar. The city has a good infrastructure and low rates as well as a large array of premier institutions that are some of the key aspects to trigger a start-up friendly culture. The city's strong entrepreneurial backup is an added advantage and the government's incubation and innovation policy and its ambitious T Hub and Angel investor's network are a shot in the arm for the same to improve on the existing scenario. T Hub provides for a plug and play incubation space at much lower rates than the market and the Angel Investor's Network creates a strong base for steady capital inflow for growth.

Hyderabad having been brought into the Centre's Smart City fold opens up an array of opportunity for IT and ITES companies, Green Technologies provider, etc.

A Ready Eco-System for Industries

The city is renowned for its R & D centres that are located in and around the city and thus creates an ecosystem of skilled resource, world class infrastructure, large land bank and an industry friendly government policy to top it off. This is the reason Hyderabad features at the top with some very prominent names having their presence in aviation, defence as well as bio and pharmaceutical sectors in the city. The city thus spawns a potential network for IT and IT enabled services that have interest in Smart city technologies, aviation and defence, biotech, etc.

Real Estate Overview

All these are going to add to the real estate growth story of Hyderabad as more industries and employment means more queries for commercial spaces and a steady demand of residential spaces and a consequential retail demand. Hyderabad has moved past the lower decline phase and is now comfortably placed in the revival phase. Even large investors and PE funds have shown interest in the city's real estate for increased opportunity of better returns from properties.

Office Market

Rates have started appreciating and are soon to be at par with the peak rates of 2008. Certain sub markets like West Hyderabad have already given evidences of improved market sentiments in office sector where supply has remained low due to very less sanctions in the past 6 to 8 months (on the back of situation like impending GHMC polls and 1 year since state bifurcation). On the contrary, there is increased queries for office space where existing companies are either consolidating space or expanding. With newer MoUs signed, this is going to add further pressure on demand. Fortunately, supply level is picking up and a few key projects like those by My Home and L&T are on the anvil that will temporarily quench the demand but and will activate the market further.

Residential Market

The same is true in residential and retail sector. Unlike Mumbai and Delhi NCR, Hyderabad is not a speculative market and does not have large inventory overhang and thus, rates are not blown out. While residential sector has started to see large projects getting launched at one go rather than in phases demonstrating that the worst is over, some key developers who were not present in the city market are now aggressively looking to drop anchors. Puravankara Projects, Salarpuria Sattva, Prestige, Mantri Developers and Brigade group are some of the prominent names in South Indian residential market who have entered Hyderabad residential market.

Retail Market

Retail in Hyderabad is yet to see large format mall opening very soon while a large number of projects are in the proposal or under construction phase. Among those in the waiting list include L& T's mall at Punjagutta is a major development as it not only adds to grade A supply to the city's starved mall stock, but also is a flagship value capture scheme of Hyderabad's Metro Rail development. Several QSR and lifestyle brands have entered the market sensing good demand and the supply of new mall space has already seen pre- commitments.

Hospitality Market

Overall improved sentiments have seen the hospitality sector pick up. A steady supply of star and budget hotel keys is going to pick up as projects like ITC Kohinoor have gathered steam while Mercure Hotels (a brand of Accor Hotels Group) will open doors of its first property in the city very soon.

The city remains the joint capital for the two states of Andhra Pradesh and Telangana for some more time and it will take time for Amaravati, the new capital city of Andhra Pradesh or Vishakhapatnam for that matter to reach Hyderabad's stature, as against them this city provides for a ready infrastructure and system available to start operations immediately. As the city level market is warming up, this is indeed the time when the most can be made before the city topples the peak rates of 2008.

Mr Aritra Das is an analyst - Research & REIS, Jones Lang LaSalle Property Consultants India Pvt. Ltd. In Hyderabad

Prices may remain Stable

Due to supply levels, capital values may remain stable but likely to escalate in select micro markets during second half of this year, says a survey by Cushman & Wakefield

The year 2015 witnessed 7.850 new unit launches, 58% growth compared to 4,970 units in the previous year. The high-end segment accounted for the highest share (59%) of the new unit launches during the year followed by the mid segment at 36%.

The fourth quarter of 2015 accounted for 22% (1,731 units) of the total new unit launches during the year, noting a 6% growth quarter on quarter. Kukatpally and Kondapur noted the highest new unit launches during the quarter accounting for 29% and 26% respectively. The capital values in these micro-markets currently range from Rs 3,300 to Rs 6,500 per sf. Due to significant commercial development in the north-west region stretching from Banjara Hills to Ameenpur, these submarkets remained as the most preferred for location for residential property buyers as well as developers in Hyderabad. The high-end segment accounted for about 43% of the total new unit launches during the quarter followed by mid segment at 40%. The luxury segment continued to remain subdued with no new units being launched over three consecutive quarters.

Due to high volume of new launches in the second half of 2015, the capital values in the fourth quarter remained stable across all submarkets. With an exception of Jubilee Hills that witnessed over 16% of capital value appreciation during 2015 due to consistent demand and low supply in the micro-market, most micro-markets witnessed marginal capital appreciation during 2015, said Veera Babu, Managing Director, Hyderabad, Cushman & Wakefield.

Outlook

The stable political environment and positive macroeconomic outlook are contributing towards increasing interest levels of buyers in the city. On the back of rise in demand for office spaces, the demand for outright and lease of residential properties is also expected to witness growth especially within the submarkets that are located in close proximity of the prime commercial hubs of Madhapur, Gachibowli, Kukatpally, etc. The quoted capital values are likely to remain stable through the next quarter due to high availability, however the second half of 2016 is likely to witness appreciation in capital values in select prime locations.

Residential Property Prices in and around Hyderabad

Location	Apartment Price (Rs per sqft) 2014	2015
NORTH ZONE		
AS Rao nagar	2,000 – 2,400	2,350
Alwal	2,000 – 2,600	2,500 2,800
Balanagar		2,900
Bowenpally	2,200 – 2,800	2,500 – 2,800
Gundla Pochampally		2,500
Jeedimetla		2,500 – 2,800
Kompally	2,300 – 2,600	3,200 – 4,200
Malkajgiri	2,000 – 2,400	2,500 – 2,800
Marredpally (East)		4,300
Marredpally (West)		3,500 - 4,100
Quthbullapur		2,500
Sainikpuri	2,100 – 3,000	2,800 – 3,000
Saket	3,200 – 3,500	2,800 – 3,500
Sanatnagar		3,500
Yapral	2,700 – 3,000	3,500 - 4,500
EAST ZONE		
Bachuplli		
Bandlaguda	2,100 – 2,400	2,400
Dilsukhnagar	2,800 – 3,400	3,500
LB Nagar	2,300 – 2,700	4,000 – 5,000
Nacharam		3,500
Pocharam		2,400 – 2,800
Pragati nagar		
Sainikpuri	2,100 – 3,000	2,500 – 3,200
Uppal	2,100 – 2,800	2,750
SOUTH ZONE		
Attapur	2,300 – 2,500	3,500 – 4,000
Hyderguda	3,000 – 3,500	4,100 – 6,000
Maheshwaram		
Peerancheruvu		
Rajendra Nagar	2,400 – 3,000	3,500
Shadnagar	1,200 – 2,000	3,750
Shamshabad	2,100 – 3,700	-
CENTRAL ZONE		
Ameerpet	3,600 – 4,100	3,650 and above
Banjara hills		8,500 – 15,000
Begumpet		4,500 – 5,500
Himayath nagar	4,500 – 6,000	4,000 – 5,500
Jubilee hills	5,500 – 7,500	7,000 – 10,000
Mehdipatnam	3,500 – 4,500	
Padamrao nagar	2,400 – 4,500	3,200
SR Nagar	4,200 – 4,500	
Secunderabad		4,000 – 5,000
Somajiguda	3,200 – 4,000	4,150 – 5,500
Srinagar colony	4,000 – 5,000	
Sanatnagar	3,500 – 4,500	
Trimulgherry		3,500 – 4,000

Location	Apartment Price (Rs per sqft) 2014	2015
WEST ZONE		
APPA Junction	2,600 – 3,300	
Bandlaguda		3,500 – 4,000
Bachupally	2,000 – 2,400	
Chanda nagar	2,700 – 3,100	
Gachibowli		3,300 - 4,800
Gopanpally		3,600
Hafeezpet		3,350
Hitech city	3,900 – 5,000	4,500 – 5,550
Hyder nagar	3,200 – 3,500	
KPHB colony	3,200 – 3,600	
Kavuri Hills		5,200
Kokapet		3,300
Kondapur		3,800 – 5,500
Kothaguda		
Kukatpally		3,800 – 5,000
Madhapur		3,750 - 5,000
Sri Sai Nagar (Madhapur)		4,750
Madeenaguda		3,300
Manikonda		2,650 – 3,300
Miyapur		3,000 – 3,600
Moti nagar		
Nallagandla		3,500 – 5,400
Nanakramguda		4,750
Narsingi		3,450
Nizampet		2,850 – 3,600
Osmannagar		3,000 – 3,500
Tellapur		2,800 – 3,500

Note: Rates are indicative only and they may depend on location, developer, specification and amenities offered in a particular project.

Residential Property Prices in Hyderabad

Location	Apartment Price (Rs per sqft)
Adibatla	3,175
Kavadiguda	4,850
Kachiguda	4,000
Gagan Mahal	5,700
Lakdikapul	4,000
Malaysia Township	4,600
Pragati Nagar	2,500 – 3,000
Shyam Nagar	7,050
Telecom Nagar	7,000

Note: Rates are indicative only and they may depend on location, developer, specification and amenities offered in a particular project.

Mid-segment Projects Up

A majority of new project launches were in the mid-segment, primarily focused on western region, according to CBRE survey

The city witnessed an increase in the number of project launches in the high-end/mid-end segment during the first half of 2015. A large majority of new project launches were in the mid-segment, primarily concentrated in western Hyderabad, according to CBRE survey.

Prime locations such as Madhapur, Kondapur, Gachibowli, Kukatpally and Nanakramguda continued to remain most active in terms of new unit launches and construction activity. Additionally, Banjara Hills in central Hyderabad witnessed a number of new launches in the high-end/mid-end segments.

Similarly, locations such as LB Nagar, Uppal, Pocharam and Medipally, among others, also witnessed a few launches in the mid-segment category. The first few months of the year witnessed moderate enquiries for ready residential properties. However, sales remained low during the first half of this year.

Indicator Trends:

In the premium segment, Western Hyderabad witnessed capital appreciation in the range of 3-4% due to healthy demand and good connectivity with other parts of the city. However, values in the prime locations of Banjara Hills and Jubilee Hills remained stable during the review period. In the high-end/mid-end segment, pricing in central and western Hyderabad appreciated marginally by 2-3% owing to persistent demand from IT/ITES professionals, coupled with availability of good offerings at competitive prices.

Rental values in the premium/luxury segment in western and central Hyderabad observed a marginal increase of 3-4% over H2 2014.

In the high-end / mid-end segment, rental values in central, northern and eastern Hyderabad appreciated by 5-6% on a half-yearly comparison. Furthermore, driven by healthy demand from the IT/ITES workforce and better connectivity to other parts of the city, rental values in the western region of Madhapur, Kondapur and Gachibowli witnessed a sharp increase of about 18-19% over H2, 2014.

Sub-Market – Key Statistics (Premium/Luxury Segment)

Location	Rental values in H1 2015 (Rs/month)	Growth over H2 2014 (%)	Capital values in H1 2015 (Rs per sft)	Growth over H2 2014 (%)
Central	60,000-65,000	3.3	10,000 – 12,000	0.0
West	50,000-55,000	4.0	6,200 – 6,400	3.3

Note: Rental values in central Hyderabad is for 3,500 sqft and western Hyderabad is for 3,800-4,000 sqft (assumed in more than 50 unit projects).

Sub-Market – Key Statistics (High-end/Mid-end Segment)

Location	Rental values in H1 2015 (Rs/month)	Growth over H2 2014 (%)	Capital values in H1 2015 (Rs per sft)	Growth over H2 2014 (%)
Central	31,000-35,000	6.5	5,000 – 5,500	2.9
West	9,000-10,000	5.6	1,900 – 2,300	0.0
East	10,000-11,000	5.0	2,100 – 2,400	0.0
West	20,000-23,000	19.4	3,500 – 4,000	2.7
South	6,400-7,400	0.0	2,100 – 2,300	0.0

Note: Rental values in central Hyderabad is for 2,000 sqft and eastern Hyderabad is for 1,200-1,400 sqft, western Hyderabad is for 1,600-1800 sqft and southern Hyderabad is for 1,100-1,300 sqft (assumed in more than 50 unit projects).

Source: CBRE Research

PACIFICA COMPANIES
Shaping real estate globally...Since 1978

Pacifica Group

Bringing global knowhow to Indian Realty

Pacifica companies started its Indian operation in 2004-05, with the head office in Ahmedabad & regional offices in New Delhi, Bangalore, Hyderabad and Chennai. These offices are well poised to meet our vision of establishing a national leading position in the real estate industry, spanning the spectrum of all real estate development. Pacifica brings along with itself 30 years of experience in real estate to India. With the rationalised Foreign Direct Investment Policies in India, the real estate/property developer has targeted several Indian cities for its projects. Pacifica's foray into the Indian real estate development with its country headquarters at Ahmedabad is based on a comprehensive understanding of the international market place. It is currently developing real estate projects with a global perspective at Ahmedabad, Pune, New Delhi, Chennai, Bangalore and Hyderabad worth $1 billion. Pacifica is a global team of creators with a focus on customising global know-how to realty, creating new benchmark of excellence and delivering beyond expectations. This makes Pacifica a truly world-class company.

History and Evaluation

Pacifica Companies is a privately held, vertically integrated real estate developer, owner, investor and investment manager. The company has grown exponentially over three decades due to an unwavering commitment to opportunistic investing, maintaining high levels of liquidity, and having a knack for finding the right real estate at the right price. Pacifica has used this skill set to successfully partner with pension funds, institutional banks, investors, and real estate funds for strategic real estate investing ventures. Pacifica's vast real estate portfolio includes hotels, mixed use projects, development projects, master planned communities, office, industrial buildings, retail shopping centers, senior housing assets, single tenant leases, multifamily for rent and sale projects and single-family communities throughout the United States, Mexico and India. The company was founded in 1978 by the current Chairman Ash Israni and has since grown at an exponential rate. The company currently has over 80 executives in their San Diego California headquarters and employs nearly 3,000 employees in the US and Asia. The principals have taken a less common approach to real estate investing with the tact that all real estate classes should be understood and evaluated for investment. This approach is based upon an opportunistic investing strategy and desire for continuous growth. This approach has shaped what is now a very diversified portfolio in terms of asset classes and geographic locations. Pacifica's asset class experience includes the residential, senior housing, hospitality, multifamily, mixed use / infill development, office, and retail.

Achievements

Pacifica has been declared as no. 1 builder of the year 2005 in San Diego. Courtyard by Marriott in Ahmedabad is the biggest 5 Star hotel in Gujarat in its category with 160 + rooms. Pacifica signed an MOU of Rs. 100 crore for Courtyard Marriott during Vibrant Gujarat Global Investors Summit 2007 with Government of Gujarat & Tourism Corporation of Gujarat Ltd. (TCGL). It has signed an MOU of Rs. 1000 crore for residential and townships, projects with government of Gujarat during Vibrant Gujarat Urban Summit 2007. While Rs.1500 crore investments have already done in various projects in India other projects worth Rs.1500 crore are in the pipeline.

Site: SY No. 319, Financial District, Gachibowli, Poppalguda, R.R. District, Hyderabad Tel. +91 99490 86677

Hyderabad sees 67% Increase in Housing Sales

With improved home sales, the East-West corridor will see more commercial and residential development, says Ashutosh Limaye

Hyderabad has seen a 67% increase in residential unit sales in 4Q14-3Q15 compared to the same period a year ago. This proves that buyers are no longer fence-sitters. As the city moved past the global financial crisis (GFC) and later, the formation of Telangana, developers are no longer holding back launches and buyers are also returning to the market.

This has led to a significant increase in the number of units launched. Moreover, improved economic activity seen during the last six months has led to a better market sentiment. Corporates are also coming in as the political environment has improved. As the government goes all out to bring investments, heightened economic activity can be expected to further bolster the residential realty market.

In the last three quarters alone, launches have picked up strongly – increasing by more than 1.5 times since last year. The overall city-wide numbers are expected to break the same benchmark very soon. Capital values have also witnessed a significant rise in Hyderabad of about 5-10% y-o-y, after many years of seeing sub-5% rate of appreciation. The city is likely to witness further price rise going forward, given its good quality of life and state-of-the-art infrastructure.

Western sub-market

As of 3Q15, the western sub-market has already gone past the previous highs of 2008 in terms of launches. This is the most active and dominant sub-market being the key IT hub of Hyderabad, which spans from Nizampet in the north to Narsingi in the south and Madhapur, Kondapur and Gachibowli as its epicentre of development. HITEC City and Gachibowli are its main precincts. More than 85% of the new launches in the past three quarters of 2015 were seen in this micro-market.

The area has a good mix of housing options that range from affordable apartments starting at Rs 3,500 per sq ft to the exclusive luxury villas at prices of Rs 13,500 per sq ft. Local, regional and national players are all present here.

Eastern sub-market

The metro rail is going to become operational in phases over the next two years. Due to this, the important East-West corridor will see more commercial and residential development. As the existing commercial hubs of HITEC City and Gachibowli get saturated, the eastern sub-market – with its comparatively lower rates – will provide for a new alternative and spur growth in an otherwise-dormant side of the city's real estate market.

Moreover, Telangana's chief minister has requested local developers to form a consortium and develop satellite townships along outer ring road (ORR). The Tellapur integrated township project is also being resurrected. These developments, along with the metro, will all have long term impacts here.

Mr Ashutosh Limaye is National Director – Research, JLL India

Industrial Growth Drives Investors towards Land Investment

Land appreciates much faster than other assets due to expansion of industrial undertakings and improved connectivity levels, says P. Keshav and R. Prahalad

The plotted development projects which have been in limbo for quite some time have gained momentum in Hyderabad with a spurt in the volume of enquiries and the capital values inching high marginally in select micro markets, thanks to a stable government and new industrial developments such as Information Technology Investment Region (ITIR), Pharma City and Education Hub.

The ITIR project alone covers most of the national highways peripheral areas with a massive investment of Rs 2.5 lakh crore over a period of time. The Pharma City coming up on a sprawling area of 8,000 acres on SriSailam highway will generate employment opportunities for 2 lakh people due to surge in demand for technical staff thus creating a population of 20 lakh people in due course.

IT majors like TCS, Convergys and CTS are coming up with expansion plans in Adibatla and projects have already commenced operations and it is said that 5,000 people are already deployed in and around the area.

It is no wonder that land demand is up towards areas like Adibatla, Kollur, Mokila and Warrangal highway. A number of plotted development projects are dotting the skyline in areas adjoining micro-market. Beyond this, there are pockets where plotted development projects are predominant. A combination of small and large developers are undertaking villa projects.

First FDI project in plotted development in Hyderabad off Vijayawada Highway.

The Samuha Aerospace Park at Adhibatla has triggered a wave of demand for plotted development projects in anticipation of the proliferation of more industries to the area. It is no wonder that land prices zoomed to a whopping Rs 16,500 – 20,500 per sqyd in and around the area. Samuha is a consortium of Aerospace Industries, which will anchor the development of the aerospace park. Tatas have made investment in a couple of projects including the SEZ. In joint venture with Sikorsky, the group will manufacture helicopter cabins. The growth of ancillary industries is what encouraged Tatas to plunge into investment.

The APIIC has allocated 193 acres at Adhibatla. Of this, 100 acres will be for the SEZ for which the Corporation is a co-developer. The 93 acres in the domestic tariff area (DTA) has been allotted to Samuha as a lead developer and to other member units, according to official sources.

With Vijayawada getting a boost due to the Andhra Pradesh government's efforts to develop as a global city, commercial activities on Vijayawada highway between Hyderabad and Vijayawada are expected to gain momentum resulting in land development abutting the highways.

Land prices are marginally up in areas en route to Ibrahimpatnam and outer ring road vicinity. Land prices vary

PLOTTED DEVELOPMENT : INDUSTRIAL GROWTH DRIVES INVESTORS TOWARDS LAND INVESTMENT

from Rs 1,400 to Rs 3,500 per sqyd in areas en route to Ibrahimpatnam where a number of plotted development projects by promoters like Suchir India, Chalapathi Estates and Zonah Developers offer multiple options to investors. In areas like Brahmanapalli, rates vary from Rs 2,000 to Rs 2,700 per sqyd.

Close to Ibrahimpatnam, the government has already allotted lands to TCS and CTS for setting up their operations. The aero park, an SEZ, which is closer to outer ring road and Ibrahimpatnam-Adibatla corridor, is already operational which is again a major development that will increase the traffic flow and the setting up of ancillary units in the coming months.

Plot loans are available and even a few developers are provided phased payment plans which enables medium range investors as well to enter the market for better capital appreciation in future. After all land appreciates much faster than any other assets.

With political stability improving the sentiment of the city, there are better days for land developers and the time is appropriate for investors to enter the market to strike bargain deals.

The Frist FDI project in plotted development in Hyderabad off Vijayawada highway en route to Ibrahimpatnam.

The wide median at Pearl Valley project off Vijayawada Highway.

Areawise Details of Plots Available in Hyderabad

Description	Remarks
South Hyderabad	Over 1000 plots available.
East Hyderabad	Over 1000 plots available.
North Hyderabad	Over 1000 plots available.
West Hyderabad	Over 1000 plots available.
Central Hyderabad	Over 90 plots available.

Note: It has been estimated by magicbricks.com that over 6,500 plots are available in and around Hyderabad in the area range of 306-2394 sqft with unit prices varying from Rs 3 lakh to Rs 20 lakh.

Indicative Prices for Developed Plots in Hyderabad

Location	Project	Land area	Price (Rs per sqyd)
Off Vijayawada highway	-	17-acre development	2,700 – 3,200
En route to Ibrahimpatnam	Proposed	600-acre development in a phased manner	2,500 – 3,500
Brahamanapalli (Before Ibrahimpatnam)	Varied	Not available	2,750 – 3,800
Outer Ring Road Vicinity	Varied	Not available	2,000 – 3,000
Medchal ORR	Varied	Not available	6,000 – 8,500
Adibatla	Varied	Not available	16,500 – 20,500

Note: Prices vary depending on the location, developer, specification and additional amenities offered in a particular project. In some projects, promoters are entering into marketing arrangements.

Salarpuria Sattva Group

Gearing Up for Leadership Role

Built on trust, innovation and knowledge-leadership, the Salarpuria Sattva Group is one of India's leading Property Development, Management and Consulting organizations.

Founded in 1986 with the primary focus of developing high quality constructions, the Group has attained leadership positioning in the field and is one of the most preferred brands in the country today. Having pioneered the early development landscape in Bangalore and literally shaping the city's skyline since the mid-80s, the Group has a diverse portfolio of world-class IT Parks, commercial, residential, hospitality and retail properties.

A course of natural evolution and diversification led to the formation of the Salarpuria Sattva Group, which blends the traditional strengths of the Salarpuria Group's development business and the forward-looking diversification into many verticals such as Aerospace, Hi-tech, Education, Facilities Management and Warehousing.

Fuelled by an intense eagerness to innovate, deliver value and build trust, the expanding business footprint has spread across many major Indian cities. The unwavering focus has always been to attain complete client satisfaction resulting in successful deliveries that are now recognized as the hallmark of the Group.

Property development is the core expertise of Salarpuria Sattva.

With over 16 million Sft. of development behind us and 17 million Sft. under construction, we have a strong foothold in commercial and residential development domain. Ably guided by Mr. Bijay Agarwal, our experience and expertise is unparalleled. The 'trust' that we build stems from building world class properties that result in extraordinary levels of customer satisfaction.

We build innovative and world-class environments that are home to some of the best IT/ITeS, Commercial, Residential, Hospitality and Retail names in the international business. We are differentiated by our ability to provide the most advanced work systems in the hi-tech industry, as well as our ability to make informed and instinctive choices. This results in strategic locations that are well connected with access to the best infrastructure.

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- Trusted legacy since 1986
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- 17 million Sft. under construction
- 30 million Sft. under design & planning
- Pan-India presence
- Expertise in IT/ITeS, Commercial, Residential, Urban Plotted Development, Retail & Hospitality
- Among top 10 preferred brands in South India

Facilities management

At Sattva, we offer the entire range of services when it comes to asset management. Our expertise encompasses everything covering design, construction, commissioning maintenance and replacement of physical plant, equipment and facilities. We also provide integrated property management services to large commercial and residential complexes, industrial parks and retail outlets.

Contact:

H.No. 6-6-8 to 32 & 395, Kavadiguda Main Road (formerly Praga Tools), Secunderabad 500003, Tel. +91 8978112302 Email: sales.hyd@sattvagroup.in

Corporate office: 4th floor, Salarpuria /Windsor, No.3, Ulsoor Road, Bengaluru 560042. Email: enquiry@sattvagroup.in www.sattvagroup.in

ACCURATE DEVELOPERS PVT LTD.

605, 6th floor, Shangri La Plaza, Plot No. 14, Road No.2, Banjara Hills,
Hyderabad 500033, Tel. +91-40-40024400 Email: sales@accuratedevelopers.co.in

Location	Type of Property	Area in Sqft.	Price
Narsingi Main Road (Opp. Chaitanya College)	2 and 3 BHK apartments	2 BHK: 1090, 1185, 1250 and 1440 3 BHK: 1405, 1510 and 1655	On request

Note: 12 months of complimentary coaching under the best coach.

Active Life: Swimming, badminton, snooker, chess lounge, table tennis, health club, gymnasium, basketball, taekwondo, lifestyle management, etc.

The Dance Studio: Dance academy.

Trinity Qualified Professional: Music academy.

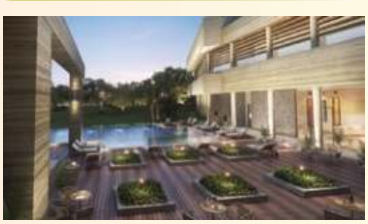
Bricks the school: Crèche, after school care (a hangout for finishing school homework and snacking).

Art of Living: Yoga / meditation.

PACIFICA GROUP

Site address: SY No. 319, Financial District, Gachibowli, Poppalguda,
R.R. District, Hyderabad Tel. +91 99490 86677

Location	Type of Property	Area in Sqft.	Price
Gachibowli	2, 3 and 4 BHK apartments	2 BHK: 1290 – 1400 3 BHK: 1881 – 2008 4 BHK: 2644	First quarter 2019.



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H.No. 6-6-8 to 32 & 395, Kavadiguda Main Road (formerly Praga Tools), Secunderabad 500003, Tel. +91 8978112302 Email: sales.hyd@sattvagroup.in

Corporate office: 4th floor, Salarpuria /Windsor, No.3, Ulsoor Road, Bengaluru 560042.
Email: enquiry@sattvagroup.in www.sattvagroup.in

Location	Type of Property	Area in Sqft.	Price	Completion
Kavadiguda (Close to Hussain Sagar Lake); Off Tank Bund Road.	Large and spacious apartments (3 & 4 BHK)	2, 3 and 4 BHK options	2 BHK: Rs 71 lakh (Limited period offer on select apartments only)	April 2016

Amenities: 20,000 sqft ultra-modern clubhouse, theme garden, roof-top swimming pool, advanced engineering with green meadows, intelligent technology, Hi-end security, etc.

RAGHAV REALTY CONSULTANCY

26/21 South Mada Street, Sri Nagar Colony, Saidapet, Chennai 600015
Tel. +91 9176627139 Email: raghavrealty@gmail.com

Location	Type of Property	Area in Sqft.	Price	Completion
Kompally	Luxury villas (4, 5 BHK)	4500 and above	On request	Ready for occupation.
Off Vijayawada Highway on way to Ibrahimpatnam (12 km from Ramoji Rao studio)	Developed Plots (First FDI project in plotted development in Hyderabad)	300 sqyd onwards	Rs 2,200 per sqyd (plot loan available; phased payment available)	Ready (Sewage treatment, power connection and water connection available)
Chennai : Fully furnished villas in Perungudi near IT Parks	Fully furnished villas with rental income	3 BHK	Rs 2 crore per unit (0.75 ground land as UDS)	Ready.
Chennai: T. Nagar	Luxury Apartments	4 BHK	Pre-launch sales offer on request.	
Chennai: IT Corridor (OMR)	Vacant land	9 grounds	On request.	
Chennai: Urapakkam	2 and 3 BHK apartments		On request.	

Robust Growth

With the office space absorption level at 3.5 million sqft for 2015, Hyderabad is raring to go with demand-supply mismatch and improved outlook, says V Nagarajan

Hyderabad's commercial property market is on the upswing. The office market may notch up an absorption level of 3.5 million sqft Gfor the year 2015. Currently there is a demand-supply mismatch and enquiries for leasing are up. Rentals are inching high across select micro markets in view of the demand exceeding supply level for Grade A office space.

A significant development is that Google, US based technology major, has signed an MoU with the state government of Telangana to build a campus with an area of two million square feet on a 7.2-acre plot of land in Gachibowli. The campus is expected to become operational by early 2019 and intended for software development operations in the city. This is considered as one of the largest campuses of Google outside US.

Select Leasing Transactions

Property	District	Size (sqft)	Tenant
Raheja Mindspace	IT Corridor	380,000	Qualcomm
Brigade Building	Extended IT Corridor	8,000	CGC Converse
NBK Gandhi	CBD	5,000	Nektan Consulting

Source: CBRE Research

Hyderabad Office Market – Sub-market Key Statistics

Micro-market	Average rent in Q4, 2015 (Rs per sqft/pm)	Average rent in Q3, 2015 (Rs per sqft/pm)	Q-o-Q change (%)	Y-o-Y change (%)
CBD (Begumpet, Punjagutta, Somajiguda and parts of Banjara Hills)	46	46	0.0	0.0
Secondary Business District 1 (Parts of Banjara Hills, Jubilee Hills)	46	46	0.0	0.0
Secondary Business District 2 (Ameerpet, Himayathnagar, Kukatpally)	26	26	0.0	0.0
IT Corridor (HITEC City, Madhapur, Kondapur, Raidurg) Grade A (IT)	47	46	2.2	11.9
IT Corridor (HITEC City, Madhapur, Kondapur, Raidurg) Grade A (IT SEZ)	48	46	4.3	11.6
Extended IT Corridor (Nanakramguda, Manikonda, Gachibowli) Grade A (IT)	37	36	2.8	8.8
Extended IT Corridor (Nanakramguda, Manikonda, Gachibowli) Grade A (IT SEZ)	42	40	5.0	5.0
PBD (Shamshabad, Pocharam, Uppal) Grade A (IT)	26	26	0.0	4.0
PBD (Shamshabad, Pocharam, Uppal) Grade A (IT SEZ)	29	29	0.0	3.6

Source: CBRE Research

According to CBRE survey, IT corridor constituted 92% of the total space absorbed during the fourth quarter of last year. Supply addition was mainly focused on IT and extended IT corridors. Rental values witnessed a marginal increase in IT and extended IT corridors.

The CBD areas comprising micro-markets of Begumpet, Punjagutta and Somajiguda witnessed sluggish transaction activity, with the closure of a few small scale office spaces. Corporate office space take-up was mostly driven by research/consulting and front office requirements of occupiers during the fourth quarter last year. This micro-market witnessed the completion of a small commercial (non-IT) development. Rental values largely remained stable compared to the previous quarter.

Limited availability of quality space in the SBD of Ameerpet, Himayathnagar, parts of Banjara Hills and Jubilee Hills led to negligible transaction activity. With no fresh supply addition, rental values and vacancy levels largely remained stagnant in this micro-market.

The PBD of Shamshabad, Uppal and

OFFICE MARKET: ROBUST GROWTH

Pocharam continued to witness interest from corporate occupiers. However, the micro-market did not observe any transaction closures during the fourth quarter. Due to negligible lease transactions, vacancy and rentals largely remained steady.

The IT corridor encompassing areas of Hitech city, Madhapur, Kondapur and Raidurg witnessed increased transaction activity and accounted for approximately 92% of overall lease transactions reported during the fourth quarter last year. A majority of these transactions were closed by corporates from the IT/ITES sector looking towards expansion. Limited vacancy in investment-grade developments forced corporates to explore space options in semi-investment developments.

On the supply front, the region did not witness any fresh supply addition of investment-grade developments. However, commercial space completed during the fourth quarter last year in the district consisted of a few semi-investment grade buildings. Increasing occupier demand and declining vacancy levels resulted in a rental increase of 2-5% q-o-q across various segments.

The micro-markets of Nanakramguda, Manikonda and Kukatpally in the Extended IT Corridor witnessed sluggish transaction activity. However, lack of investment-grade supply in the IT corridor resulted in occupiers evaluating their relocation and expansion decisions towards the Extended IT Corridor. This region witnessed addition of fresh investment-grade supply in Kukatpally. Increased interest from corporates and improving market sentiments resulted in a marginal rental increment of 2-5% q-o-q in prominent IT and SEZ developments.

INDUSTRIAL MARKET

State Policy may influence the industrial sector

While warehousing units witnessed stable rentals, the government's policy may positively influence the industrial sector in the coming quarters, says a survey by Cushman & Wakefield

Land rates maintained status quo in most submarkets in Hyderabad. In the first half of the year 2015, owing to subdued demand the land values across the city remained largely stable, according to Cushman & Wakefield survey.

Industrial shed rentals remained stable across most submarkets. With the exception of Balanagar submarket, the other submarkets witnessed stable rentals in comparison to the previous year. Balanagar witnessed a 13% appreciation in its industrial sheds due to limited availability of quality spaces and landlords quoting higher rentals

LAND RATES – H1 2015

SUBMARKET	INR MN/ACRE	USD MN/ACRE	EURO MN/ACRE	GROWTH (Y-O-Y)
Medchal*	23	$0.4	€0.3	0%
Shamirpet	5	$0.1	€0.1	0%
Fab City	6	$0.1	€0.1	0%
Kothur*	5	$0.1	€0.1	0%
Moulali, Nacharam	46	$0.7	€0.6	0%
Uppal	44	$0.7	€0.6	0%
Patancheru	20	$0.3	€0.3	0%

Note : Quoted land rates for serviced industrial land parcels are mentioned
*As serviced plots are unavailable, quoted land rates for undeveloped land parcels already converted for industrial usage are mentioned
Percentage growth are in local currency; Y-O-Y – Year on Year
Conversion Rate: US$1= INR 63.61 and Euro 1 = INR 71.65

INDUSTRIAL & WAREHOUSING RENTS – H1 2015

Note : Moulali includes Nacharam & Uppal ; Shamshabad includes Katedan & Ibrahimpatnam

SIGNIFICANT TRANSACTIONS – H1 2015

BUYER/LESSEE	SELLER/LESSOR	TYPE	SUBMARKET	SALE/ RENT	AREA (SF)
Tele Wings	Individual	Warehouse	Kompally	Rent	24,000

Warehousing rentals increased in select submarkets. Kompally submarket witnessed an upward revision of 22% in rentals due to limited availability of space and increased demand, Overall, warehousing units across the city witnessed stable rentals.

Outlook

Land values may appreciate in select submarkets in the short term. Kothur and Shamshabad may witness a positive rental revision in land values owing to an increase in demand. While Kothur is a preferred destination due to its established industries and recent investments by two large corporates which have set up their plant in the submarket, Shamshabad may benefit from availability of government land parcels.

Renewed market sentiments

The Telangana government, through its recently released Industrial Policy (2015) has identified 15 focused sectors which include IT & Hardware, Automobiles, Fast Moving Consumer Goods (FMCG), Capital goods, Waste Management & Green Technologies, among others. The government is also planning to increase the ease of doing business through its fast track clearance processes. The policy may positively influence the industrial sector in the coming quarters.

Land Rates – H1-2015

Location	Value (Rs crore / acre)
Medchal*	2.3
Shamirpet	0.5
Fab City	0.6
Kothur*	0.5
Moulali, Nacharam	4.6
Uppal	4.4
Patancheru	2.0

Source: C&W Research

Note: Quoted land rates for serviced industrial land parcels. *As serviced plots are unavailable, quoted land rates for undeveloped land parcels already converted for industrial usage are mentioned.

Key Retail Hubs in Hyderabad

	Location Advantage:	RE Parameters	Outlook
Central Hyderabad (Established) Begumpet, Somajiguda, Raj Bhavan road and Himayat Nagar	The central business district of Hyderabad houses major banks, hotels and office space. This location is also home to many premium and luxury, national and international retail brands and experiences large volume footfall.	This location is dominated by high streets and malls such as Hyderabad Central. Prime High streets that house local as well as national and international brands are Begumpet, Somajiguda and Himayat Nagar. This location enjoys good demand from retailers; however, the availability of quality retail is a challenge. As a result, retail rents are between Rs 100 and Rs 130 per sqft per month on the high streets.	As there is less scope for new development, the supply of quality retail space is restricted. However, good footfall in this location will be the key attraction to drive retailer demand. 
Off Central Hyderabad (Growing) Banjara Hills and Jubilee Hills 	The premium residential location of Hyderabad houses luxury residential projects, prime hotels and malls. It connects the central part of Hyderabad with the IT hub of the city – Hitec city. Therefore, it witnesses office and retail developments along its key high streets.	This location has the v and it houses many premium and luxury, national and international brands. The high streets house designer boutiques and premium lifestyle stores. This location enjoys good demand from retailers because of the surrounding catchment area. Retail rents are between Rs 110 and Rs 150 per sqft per month on the high streets and between Rs 150 and Rs 200 per sqft per month for vanilla outlets in malls.	There is scope of development, as many residential streets are being redeveloped as commercial properties. These developments, along with the development of high-end residential projects, will drive luxury retailer demand in this cluster.
West Hyderabad (Growing): Madhapur, Kondapur, Hitec City and Kukatpally	This fast emerging retail destination has established IT business development in the cluster. The most preferred IT	This location is home to Inorbit Mall and Forum Sujana mall. Many prominent malls, such as Manjeera Trinity,	There is scope for new development in this location. There are a few good malls

Key Retail Hubs in Hyderabad

	Location Advantage:	RE Parameters	Outlook
	and residential suburb of Hyderabad. Good connectivity and availability of social infrastructure attracted overall development and it has luxury residential projects, prime hotels and malls. It witnesses strong demand for retail due to the rising population of IT employees.	City Capitol and SLN Terminus, are under construction in this cluster. Prominent high streets are also emerging that have a good brand presence. This location is growing rapidly and enjoys good demand. Retail rents are between Rs 150 and Rs 180 per sqft per month in a mall, while high street rent is between Rs 100 and Rs 120 per sqft per month.	expected to be operational. Development of office space and residential projects in this cluster will be the key attraction to drive retailer demand.
North Hyderabad (Emerging) Vikrampuri, Karkhana, Tirumulgiri and Dr A S Rao Nagar	This cluster is experiencing more high street retail activity. Mostly houses the upper middle class population. Tis location has the cantonment area and many residential colonies, and witnesses good demand for retail. Many brands have factory outlets in this cluster.	Predominantly high street developments. Mall supply is a concern in this cluster. Rents in this cluster range between Rs 80 and Rs 100 per sqft on the high streets for good quality properties.	There is scope for development. Developments of villas are expected to drive demand in the cluster.
South Central Hyderabad (Emerging) Dilshuknagar and LB Nagar 	This cluster is experiencing more high street retail activity. Mostly houses the upper middle class and middle class population. This location has many old residential colonies and witnesses good demand for retail.	Predominantly high street developments. Prajay Princeton Mall is operational in this cluster. However, mall supply remains a concern in this cluster. Rents in this cluster range between Rs 80 and Rs 100 per sqft per month on the high streets for good quality properties.	There is scope for development in this cluster, as there are many new residential projects coming up in this cluster.

2016 – The Year of the “BING SHEN” Yang Fire Metal Monkey

Earth related industries like mining, real estate and constructions will do well in terms of activity but money inflow would be moderate, however, a good year for property investments and planning, says S BS Surendran

The year 2016 is the year known as The Year of the Yang Fire Metal Monkey - BING SHEN.

Monkey is the ninth animal in the 12 Chinese zodiac signs and is part of the Metal cycle in the cycle of the season of five elements in Feng shui. In the year 2016 taking into account the elements in combine and clash based on the Feng shui destiny analysis known as the four pillars of destiny or ‘Bazi’ (Phat chee) the two main elements in clash are fire and metal. The elements are symbolised as Yang Fire element sitting on top of Metal Monkey.

Element fire in Feng shui is said to conquer or melt metal element, hence in the cycle of the five element theory the ‘Yang Fire Year’ destroys the Metal Monkey weakening it, this clash is not good hence the year would be average with its wild swings and imbalances. However, the clash is not too strong as the fire element is like a setting sun so its energy is not too overwhelming. Hence conflicts will be easily resolved and would not be too stressful from global relationships standpoint as well as interpersonal relationships.

The monkey is a clever animal and is frequently compared to a smart person. Pictures of monkeys are often placed on walls and doors to bring good fortune. Although there would be clash from the global economy and perspective one can experience positive phases and intelligent global moves to bring down disharmony, tension and keep the economy afloat.

The fortune analysis for the year based on ‘Bazi’ indicates that the year is unbalanced with the absence of water energy in the astro chart of the year. In the year 2016 water element signifies authority, power and leadership. The year also has the sickness star occupying the centre grid indicating illness hence the year in Feng shui interpretations is referred to as Black Year.

From the global relationships perspective, it would be a year of being more optimistic in reaching solutions pertaining to disputes although it would not be a totally peaceful year.

Industries relating to fire and metal like energy, entertainment, finance, stock market would do well mostly during the second and third quarter of the year. Water element industries like shipping, communication, transport would do very well too. Earth related industries like mining, real estate, property and constructions will do well in terms of activity and awareness but money inflow would be moderate however a good year for property investments and planning from the buyer point of view. Metal element related like heavy engineering, IT and high tech industries will see a slow down and competition. Wood element related industries like textiles, media, paper industries would also see a slow down.

However, the art of Feng shui ensures that with proper adaptation and planning the ill effects of the year can be overcome and one can transform the luck and tap into the hidden opportunities in store to activate the auspicious stars. Protecting from illness, augmenting wealth, creating harmony at home and work and enchasing on big opportunities and windfall luck will ensure that the luck cycle of the entire zodiac can be balanced and well protected.

In the year 2016, the animal signs which receive good support from the year zodiac Monkey are snake, rooster and monkey. The zodiac which will have to protect and defend from the clash with the annual zodiac sign are Tiger and Horse. However, with proper protection and care the afflicted zodiac sign can also smoothly sail through the year.

Favourable colours for the year based on the annual year zodiac are shades of red, sunrise orange, pink, lilac and purple and good directions for travel are east, south and southeast.

To ensure that the home is well protected apart from the advice for the individual zodiac, following basic Feng shui corrections would be extremely beneficial.

- Place a metal 'wulou' or suspend 6 Chinese coins with red tassel at the centre of the house to overcome the #2 illness star at centre
- Suspend a 6-rod metal 'wind chime' at the northeast of your home to counter the #5 misfortune star also referred to in Feng shui as Five Yellows.
- Place a red décor at northwest of the living to counter #3 disputes/quarrel/ argument star.
- Place three bamboo stems in a vase with water at north of the living to protect the house from violence or robbery star.
- Place water feature at east or southeast to activate good luck and wealth.
- A figurine of pair of birds or ducks or a rooster at west of living can activate relationship/romance.
- Avoid renovations at southwest sector of the home and do not sit facing southwest in the year 2016
- Place a 'citrine' gem tree at southwest of the living or bedroom.

Adapting simple and practical Feng shui tips for the home and the individual zodiac the year of the Fire Monkey can be transformed into a very auspicious and prosperous year.

In short by adapting Feng shui we can sail through smoothly as it is easy to surf with Feng shui than to fight the tides of time.

Mr. Surendran is an accredited master Feng shui consultant, bioenergetician and traditional Vaastu practitioner. Email: Email: - fengshui@fengshuiserver.com

HOME LOANS REVISED INTEREST RATES

BANKS

Name of the institution	Floating Rate (%)
Axis Bank	9.60
Bank of Baroda	9.65
Bank of India	9.70
Canara Bank	9.70
Corporation Bank	9.65 – 9.90
HSBC	9.90
ICICI Bank	9.50
Indian Bank	9.65 – 9.90
Syndicate Bank	9.7
IDBI Bank	9.75
Kotak Mahindra Bank	9.75
Punjab National Bank	9.60
State Bank of India	9.50 – 9.55

HOUSING FINANCE COMPANIES

Name of the institution	Floating Rate (%)
DHFL	9.90
HDFC	9.50
India Bulls	9.75
LIC Housing Finance	9.6
PNB Housing Finance	9.75
Tata Capital	9.70

Note: Rates are valid at the time of going to the press and for current rates, readers are advised to check with the respective institutions.
EMI for a Loan of Rs 1 lakh

Tenure	5 years (Rs)	10 years (Rs)	15 years (Rs)
@ 8%	2,028	1,213	956
@ 10%	2,125	1,322	1,075
@ 12%	2,224	1,435	1,200
@ 15%	2,379	1,613	1,400

Fixed or Floating loan! Which is right for you?

S. Ramessh Kumar

Tips to Home Loans

- Home loan borrowers are entitled to tax benefits under Section 80C and Section 24 of the Income Tax Act. These can be claimed by the property's owner.
- In the case of co-owners, all are entitled to tax benefits provided they are co-borrowers for the home loan too.
- The limit applies to each co-owner. A co-owner, who is not a co-borrower, is not entitled to tax benefits. Similarly, a co-borrower, who is not a co-owner, cannot claim benefits.
- Housing companies usually require all co-owners to be joint borrowers to a home loan. Loan providers specify who can be a joint borrower for a home loan.
- The tax benefit is shared by each joint owner in proportion to his share in the home loan. It's important to establish the share for each co-borrower to claim tax benefits.
- The certificate issued by the housing loan company, showing the split between principal and interest for the EMIs paid, is required for claiming tax benefits.

Source: www.taxguru.in

The housing finance market has seen a metamorphosis during recent years. What was considered a difficult task some ten years ago has become an easy task for the majority of homebuyers. The demand for housing has propelled, thanks to the boom in the real estate market, coupled with high incidence of salary for young, qualified software professionals. With hefty salary package they are now keen to invest in housing by availing a loan in order to get income tax benefits.

As sectoral exemption has been removed, a young professional without investing in different segments can straightaway take the home loan route. Interest can be claimed as a deduction under Section 24 of the Income-Tax Act up to Rs. 200,000 (Rs. 150,000 up to A.Y. 2014-15) or the actual interest repaid whichever is lower. (One can claim this interest only when you are in possession of the house). Principal amount deduction can be claimed up to a maximum of Rs. 150,000 (Rs. 100,000 up to A.Y. 2014-15) under Section 80C.

Earlier home loans were offered only on fixed rates, and in the late 1990s most Banks/HFCs introduced floating rates as the rates were going southward and the customers were clamouring for floating rates. Now it is generally felt that the rates have already touched the bottom and may go up marginally as people are now demanding fixed rate.

Most of the institutions offer fixed rate with force majeure clause. Though it is termed as fixed it is not fully fixed. The lending institution reserves the right to increase the rates based on the market conditions once in every 2 to 3 years.

There are only a few institutions, which offer fixed rate for the entire term. The customer needs to check up whether the fixed rates offered are really fixed. Some institutions give 2 in 1 package so that the customer can choose to take his housing loan in both fixed and floating or variable rate mortgages.

The advantage lies in hedging the risk in the portion of loan taken in the floating rate of 2 in 1 against the portion of loan taken in the fixed rate under 2 in 1.

Floating rate loans do not carry any prepayment charges so the customers opting for part prepayment can do so without any charges. Accordingly based on their propensity to save they can take such portion of loan in floating and the balance amount in fixed rate option since fixed rate loans carry a pre-payment charges of two per cent on part pre-payment as well.

Normally lending institutions always allow switch over from fixed to floating rate and vice versa. Now most of them have introduced a product to switch over from floating to fixed rates also in order to retain the customers from going to other institutions by charging a switch fee or conversion fee.

With the Indian economy integrated with the rest of the world and interest rates cannot be different from those elsewhere. So as per the present housing loan market scenario it is advisable to take home loans either in the fixed rate or in 2-in-1 rates if one is smart enough to take a little bit of a risk.

Mr Ramessh Kumar is a home loan consultant.

Property Management Companies Gearing Up

International brands are all set to redefine the way property maintenance service is to be provided in India, surveys V Nagarajan

After a considerable lapse of time, property management companies are gearing up to tap the huge untapped business potential emerging across the country. While real estate sector itself is slowly getting organised, one of the criteria that has been deterring NRIs/PIOs from large scale investment in real estate in India is lack of property management services.

Till now, property consultants like CB Richard Ellis, Jones Lang LaSalle Meghraj and ILF&S have been maintaining commercial properties for corporates and MNCs but there has been a vacuum for retail clients to seek such services. With the migration of skilled people both within the country and globally, investment in immovable property hinges on getting top notch services. Unlike in the West and European countries, property management concept is yet to make a dent in India though the market is said to be huge and growing for professionally managed companies.

The comprehensive range of services required varies from preventative maintenance, placement, contracting, response maintenance, signage, commercial cleaning, pest control, annual maintenance contracts, health and safety. For global Indians or even for residents working in other cities within India, leasing, remittance of statutory dues and other related areas necessitate services from the property management companies.

"There has been an incredibly strong demand for property management services as there are very few service providers in India", says Alexander Moore, CEO, LJ Hooker, an Australian company providing total real estate solutions in Bangalore. The demand among residents, NRIs and corporate clients is equally strong for varied services and the market is in need of turn-key solutions which are simple and effective, he added.

According to Alexander, 12 major international brands providing similar services are likely to enter India in the coming years. Remax, a US conglomerate, has already entered the country with the establishment of 10 regional centres so far. UK based Red Sky Services initially commenced operations in Chennai and since expanded to Bangalore, Hyderabad and Coimbatore.

"The growing importance of property management services should be realised not only by the end users but by property developers and architects as well at the implementation stage itself", feels Christie Cherian, Managing Director, Red Sky Property Services. Property management people should be involved at the design stage itself, as that will enable them to better understand the intricacies involved in the maintenance exercise, he felt. For instance, if the top and edge of the building is not constructed in a way that can support appropriate movement for cleaning services, then it brings untold agony to both, said Cherian.

A significant factor for seeking such services is the growing realisation that the value of a well maintained building goes up over the passage of time, say industry sources. With the growing number of residential and commercial projects engulfing the city, demand for property management services can only go up. Property developers should also realise the need for facility management services, as it is their reputation which is at stake if their project is not maintained well, say property management companies.

According to market sources, the rate for property management varies depending on the building, area and type of services required by the clients. As IT/ITES companies require 24x7 services, the rate invariably is high at Rs 6-Rs7 per sqft per month. Whereas for non-IT sector companies, it varies from Rs 3-Rs 5per sqft per month. For common areas, the rate is as low as Rs 1 – Rs 1.50 per sqft per month. Wherever large security arrangement is needed, the cost invariably goes up. For smaller residential units of ground plus three storied building, it varies from Rs 2 to Rs 3 per sqft. Here again if it is a multistoried apartment project, the rate varies, say industry sources.

How Online Portal Helps in Property Search?

Investing in property across India is fraught with difficulty but nowadays online portal makes homebuying an hassle free exercise, says E Jayashree Kurup

Buying a property in India when you are abroad cannot be easy. How do you shortlist the property, the developer, the locality and most importantly how long do you have to remain invested for to get the best returns?

At Magicbricks.com, we have found that the only way to solve these problem is to take the entire process online. Let me give you a step by step guide on how to buy a house.

Let me assume that you want a property worth about Rs 70 lakh in Hyderabad. The first step is to logon to Magicbricks.com. Post Hyderabad and the budget in the search box.

The list of properties in your budget shows up on the screen. Check out the formats that you can buy. Apartment, villa, independent house or plots.

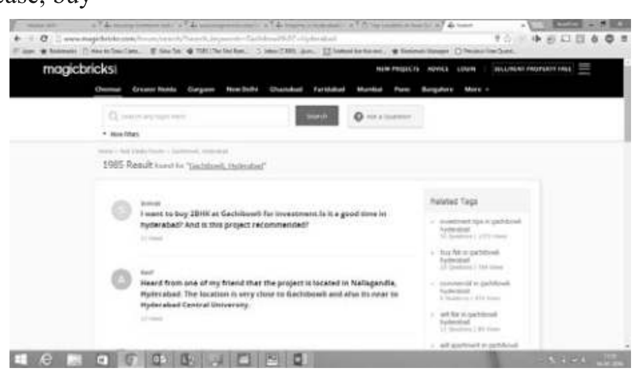
Consider why you are buying the property. If you are buying for use of family back home, look at a locality that has all the facilities and amenities that will make life comfortable. Normally when you buy from a developer, you buy within a gated community. Look for the amenities that matter. Amenities come at a cost. Choose those that will add value to your investment. Don't go for fancy amenities that never get used as you will have to pay a monthly maintenance for them as well.

Security is of primary concern when it comes to look for localities. Also look at social infrastructure such as schools, hospitals, entertainment hubs etc. around it. This helps to get good rental values if you are leasing it out and also helps if it is for family to stay in. See what others have to say about the locality in localities.magicbricks.com.

When you choose a property check out what the benchmark values in the locality are and then see if the values fall within the correct range. If they don't see if you are paying for some facilities that are not normally available.

Assess whether you are buying to grow your wealth. If that is the case, buy properties at early stages of development as you will then get the benefit of leveraged value growth as the construction progresses.

As an NRI you are entitled to bank loans for built up property. It is good to get a loan even if you don't really need it. The banks do their due diligence and it is good to get the verification done by them. Bank loans for NRIs have different requirements if you are sourcing it from a public sector bank or a private sector bank. State Bank of India for instance requires you to have been an NRI for at least two to five years. ICICI on the other hand requires you to have been abroad for a year before they give you an NRI loan.



Check out online forums before you buy a property. It is always good to know what others are asking or saying. When experts answer others many of your problems get sorted out too and things that you may not have considered before become clear.

So go ahead and do your own research before you decide to buy a property in India. If you follow the tips and guidelines you can make a lot of money. However, remember property investments yield best results only when you hold for at least 5-7 years.

Ms Jayashree Kurup is Head, Content and Research, at Magicbricks.com.

NRI Updates

What are the regulatory changes that will have an impact on the overall investment in immovable property by NRIs/ PIOs. Here is a compilation of the recent amendments.

NRI Investment made simpler

The government has approved a proposal allowing investment made by NRIs to be deemed as domestic investment on par with resident investments. The Union Cabinet also approved the proposal that NRI includes OCI cardholders as well as PIO cardholders.

The government decided to amend the FDI policy to incorporate the definition of NRI as an individual resident outside India who is a citizen of India or is an 'OCI cardholder within the meaning of Section 7(A) of Citizenship Act, 1955. PIO cardholders registered as such under a notification issued by the centre are deemed to be 'OCI cardholders'. All this will enable investments by NRIs, Overseas Citizen of India (OCI) and Persons of Indian Origin (PIO) cardholders under Schedule 4 on non-repatriation basis, across sectors, without being subjected to the conditions associated with foreign investment.

Residents can now remit home loan EMI for NRIs

The RBI has decided that where an authorised dealer in India has granted loan to a non-resident Indian in accordance with Regulation 7 of the Notification No. FEMA 4/2000-RB, ibid, such loans may also be repaid by resident close relative (relative as defined in Section 2 (6) of the Companies Act, 1956), of the Non-Resident Indian by crediting the borrower's loan account through the bank account of such relative.

Returning NRIs' assets can be retained abroad

Under Section 6(4) of the FEMA Act, any person resident in India may hold, own, transfer or invest in foreign currency, foreign security, immovable property situated outside India, if the person had acquired, held, owned or inherited the same while he was resident outside India. Further, where any amount of foreign exchange is due or has accrued to a person resident in India, such person shall take reasonable steps to realise and repatriate the same within such period and manner as specified by the RBI.

There was lack of clarity as to whether the income, earned on assets held abroad by NRIs who have returned to India for permanent settlement and assets held outside India through Liberalised Remittance Scheme, are required to be realized and repatriated to India.

Now the RBI has clarified that income and sale proceeds of assets held abroad need not be repatriated to India and can be retained and invested outside India

(Courtesy: EY Regulatory Alert).

Government's advice on acquiring land by persons residing outside India

The Government of India has advised State Governments to be extra vigilant in matters of acquisition and transfer of immovable property in India by a person resident outside India and satisfy themselves about the eligibility under FEMA before registering a sale or purchase of immovable property in India. The enquiries may include both the intending buyers and sellers. The relevant travel documents and the nature of visa may also be verified before registering such sale / purchase. Government has further advised all including concerned authorities in the State Governments that wherever appropriate, the authorities may consider reviewing registration of sale / purchase already made to determine their compliance with legal requirements. Further, persons acquiring immovable property have to fulfil the requirements, if any, prescribed by the State authorities.

A foreign company which has established a Branch Office or other place of business in India under the provisions of Foreign Exchange Management (Establishment in India of Branch or Office or Other Place of Business) Regulations, 2000 (FEMA 22/2000-RB dated the 3rd May, 2000) can acquire immovable property in India which is necessary for or incidental to carrying on such activity, subject to the conditions stipulated in Regulation 5 of Foreign Exchange Management (Acquisition and Transfer of Immovable Property in India) Regulations, 2000 (Notification No. 21/2000-RBdated the 3rd May, 2000).

Apart from above, a foreign national who is residing in India for more than 182 days during the course of the preceding financial year for taking up employment or carrying on business / vocation or for any other purpose indicating his intention to stay for an uncertain period can acquire immovable property in India as he would be a 'person resident in India' as per section 2(v) of FEMA, 1999. To be treated as a person resident in India under FEMA, a person has not only to satisfy the condition of the period of stay (being more than 182 days during the course of preceding financial year) but also his purpose of stay as well as the type of Indian visa granted to him to clearly indicate the intention to stay in India for an uncertain period. In this regard, to be eligible, the intention to stay has to be unambiguously established with supporting documentation including visa.

As per the provisions contained in Foreign Exchange Management (Acquisition and Transfer of Immovable Property in India) Regulation 21/2000 (Notification No. 21/2000-RB dated the 3rd May, 2000), an Indian citizen resident outside India and a Person of Indian Origin resident outside India may acquire immovable property in India other than agricultural land, plantation or a farm house.

It has come to the notice of the Central Government that foreign nationals are buying immovable property illegally in some parts of the country, particularly in Goa, which has raised concerns. Many organisations and social groups have also made representations to the Central Government expressing their serious concerns in this regard. It has also been observed that foreign nationals coming to India and staying beyond 182 days on a tourist or other visa meant for a certain period are illegally acquiring immovable property in India in violation of the extant rules and regulations under FEMA.

NRI Investment in Real Estate

What are the relevant laws both from regulatory and tax perspective that could be of aid prior to making investment in immovable property, surveys Ajay Rotti

The real estate sector in India has come a long way from being unorganized to being fairly organized. The real estate sector typically comprises of four sub-sectors viz. housing, retail, hospitality and commercial. All the sub-sectors have embraced professional standards and transparency with open arms. The Indian real estate sector has witnessed high growth in recent times with the rise in demand for commercial as well as residential spaces.

It is not only successfully attracting resident Indians, but Non-Resident Indians ('NRIs') as well. While the markets see a healthy rise in the value invested, giving a good return, it is nonetheless very important for the NRI investor to get an understanding of the regulatory compliances and India tax implications relating to investing into immovable properties in India.

The author, in this article has made a conscious attempt to highlight comprehensively the relevant laws in India both from regulatory and tax perspective, which could be of immense aid to the NRIs for decision making prior to making an investment in an immovable property in India.

Foreign exchange regulations

Any foreign investment in India is governed by the policies framed by the Central Bank of India i.e. Reserve Bank of India ("RBI"). RBI has set liberal policies for a NRI investor in relation to acquisition and transfer of immovable properties in India and repatriation of the sale proceeds thereof.

Persons who can invest in immovable properties and nature of properties

• Both a NRI and a Person of Indian origin ("PIO") can acquire an immovable property in India.

• A NRI is defined to mean an individual resident outside India who is a citizen of India or is a person of Indian origin. PIO is an individual who is a citizen of any country (except Bangladesh, Pakistan, Sri Lanka, Afghanistan, China, Iran, Nepal and Bhutan) and (i) who held an Indian Passport at any time previously or (ii) he or either of his parents or grandparents was a citizen of India.

• Both NRIs and PIOs have been granted general permission by RBI for purchase of residential and commercial immovable properties in India without obtaining any specific permission from RBI. However, NRIs and PIOs have not been permitted to invest in agricultural property, plantation or a farm house.

• There is no restriction as to the number of residential or commercial property an NRI can acquire

Modes for Acquisition of immovable property

General acquisition by payment

• The payment for purchase of permitted property by an NRI/PIO can be made by way of remittance through:

- normal banking channels by way of inward remittance from any place outside India or

- through debit to Non-Resident Ordinary Rupee Account ("NRO") or Non-Resident External Rupee Account ("NRE") or Foreign currency Non-Resident Account ("FCNR (B)").

• It may be noted that payment in the form of traveller's cheques or

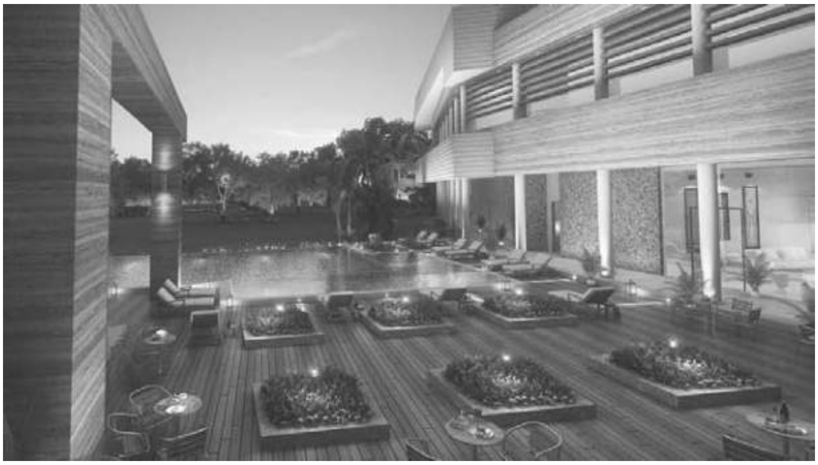
NRI INVESTMENT IN REAL ESTATE

foreign currency is not permitted.

Acquisition by way of gift

Both NRIs and PIOs are also allowed to acquire the residential and commercial properties by way of gift from a Resident Indian or an NRI or a PIO resident outside India.

Acquisition by way of inheritance



• Both NRIs and PIOs can acquire immovable property by way of inheritance from:

- A person resident in India; or

- A person resident outside India.

• It should be ensured that the person from whom the property is inherited should have acquired the same in accordance with the then exchange control regulations.

Acquisition by way of loan

Both, NRIs and PIOs are permitted to acquire immovable property in India by way of loan from Indian Authorized Dealers or Housing Finance Institutions in India subject to conditions. For acquiring loans, NRIs and PIOs would need to satisfy various conditions under regulatory laws.

Modes of Transfer of Immovable Property

Transfer by sale

NRIs can transfer the immovable property acquired by him either to a person resident in India or to another NRI / PIO.

PIOs can transfer the immovable property to a person resident in India.

Transfer by gift

An NRI or a PIO may gift residential or commercial property to a person resident in India, or an NRI or a PIO.

Repatriation of sale proceeds

RBI, over a period of time, has made it very easy for NRIs to transfer funds into and out of India. The following are the modes of repatriation:

Repatriation on NRE/FCNR account

In the event of sale of immovable residential and commercial property in India by a NRI / PIO, the Authorised Dealer may allow repatriation of the sale proceeds outside India subject to the following conditions:

• The property was acquired in accordance with the provisions of the exchange control regulations prevailing at the time of acquisition;

• Funds for acquisition of such property were transferred from overseas or were funds from the NRE or FCNR (B) accounts.

• The amount repatriated cannot exceed the amount that was paid initially for acquisition of the property.

• In the case of residential property, the repatriation of sale proceeds is restricted to only two properties. The balance amount, if any, can be credited only to NRO account and can be repatriated up to USD one million per financial year.

Repatriation on NRO account

• If the immovable property is acquired by the NRI or PIO out of the funds in NRO accounts, then the entire sale proceeds (including the profits i.e. amount above and over the acquisition price) of the immovable property can be credited to the NRO account of the NRI / PIO;

• NRIs/PIOs are allowed to repatriate an amount up to USD 1 million per financial year out of the balance in the NRO account, for all the bonafide purposes to the satisfaction of the Authorized Dealer bank and subject to tax compliance; and

• Remittances exceeding US$ 1 million in any financial year requires prior permission of the RBI.

Sale proceeds of inherited property or property received by way of gift or inheritance

The sale proceeds of residential and commercial property received by way of gift by NRIs or PIOs should be credited to the NRO account only. Further, the NRI/PIO may remit up to US$ 1 million, per financial year; subject to the satisfaction of Authorized Dealer and payment of applicable taxes.

The sale proceeds of the immovable property inherited from a person resident in India can be repatriated up to an amount not exceeding US$ one million, per financial year. In this regard, the NRI or PIO would be required to comply with various other conditions which inter alia includes production of documentary evidence in support of acquisition / inheritance of assets, undertaking by the remitter and certificate by a Chartered Accountant, original deed of settlement and a tax clearance / No Objection Certificate from the Income-Tax Authority.

Other important aspects

• Any person who had bought the residential / commercial property / agricultural land/ plantation property / farm house in India when he was a resident can continue to hold the immovable property without the approval of the Reserve Bank even after becoming an NRI/PIO. The sale proceeds on such transfer of such property may be credited to NRO account of the NRI /PIO.

• NRI/PIO can rent out the residential or commercial property without the approval of the RBI. The rent received can be credited to NRO / NRE account or remitted abroad. The same can be repatriated and such repatriation would be monitored by the Authorized Dealers. In case the NRIs or PIOs do not hold any NRO account in India, the repatriation would be allowed on production of an appropriate certification by a Chartered Accountant.

Income-tax implications for NRIs/ PIOs looking out for investment in properties in India

Certain tax compliances under Indian Income-tax Act, 1961 (‘IT Act’) would need to be done while an NRI/PIO acquires an immovable property in India, holds such property in his name and generates income by letting it out and on transfer of such properties. It may be noted that the NRI or PIO would need to comply with the Indian tax laws in all the circumstances in view of the fact that the situs of the immovable property is in India.

On Acquisition:

Tax withholding obligations would arise if the immovable property is acquired by a NRI/PIO from a Resident Indian, if the consideration payable exceeds INR 5 million. In such cases, NRI or PIO is required to withhold tax at the rate of 1% on the value of the consideration and deposit it to the treasury of the Indian Government. As a prerequisite, the NRI or PIO must have a Permanent Account Number (“PAN”) issued by the Indian Income-tax authorities. If the NRI or PIO are acquiring the immovable property from a person other than resident Indians, then the above withholding obligations would not arise.

Tax implications with respect to property acquired by way of loan:

• As per the Income-tax laws, where the property is self-occupied, an NRI or PIO can claim deduction of INR 150000 in respect of interest paid from the Indian Income.

• In cases where the property is let out, there is no cap on maximum amount of interest that can be claimed as deduction. Further, where a property is let out, the NRI and PIO are eligible for a standard deduction of 30% from the gross value of rent received.

• In addition to the above tax benefits, the NRI and PIO shall also be eligible to claim deduction up to maximum of INR 150000 in respect of principal repayments to the lender.

Tax implications on transfer of immovable property

Immovable property in India constitutes a Capital Asset for the purpose of IT Act. Depending upon the period of holding of the property, it can be either long term capital asset (“LTCA”) or short term capital asset (“STCA”). The same would qualify as a LTCA if held for a period of more than 36 months, else it would be regarded as a STCA. The properties qualifying as LTCA if sold would be subject to Long term capital gains (“LTCG”) at the rate of 20%. Otherwise, they would be taxed as Short term capital gains (“STCG”) as per the individual slab rates. Further, a non-resident under the IT Act is eligible to claim benefits, if any, for capital gains under the Double Taxation Avoidance Agreements entered into between India and his country of tax residence.

The IT Act also contains certain beneficial provisions which minimizes the tax liability provided the net sale proceeds arising from the sale of property are invested in other immovable properties or certain specified bonds.

A further point that needs to be considered is that the NRI/PIO will have to pay stamp duty as well as registration fees at the time of purchase of the property in India which varies between various states.

Tax implications on letting out the house property

One could also consider letting out the house property in India. In such a case, the rent received from the tenants would be taxable in India as ‘Income from House Property’ and the tenants would be required to withhold taxes at the time of remitting the rent to the NRI/PIO. The Indian tax laws allow one to reduce the amount of rent received with a standard deduction of 30% and interest paid on loan taken by the NRI/PIO for acquisition or construction of the house.

Wealth-tax on immovable property

With effect from 1st April, 2015 India has abolished levy of any wealth-tax.

Investing in immovable properties in India is a good investment avenue for the NRIs/PIOs but it is extremely important to exercise caution and discretion while going ahead with the purchase. The credibility of the developer/builder/seller, the future prospects of the projects, risk of title or litigation, the completeness of the relevant approvals and documentations are some of the critical aspects that one should look at. It is always safe to go through reliable sources or seek professional advice before investing in the properties. If done wisely and with a little caution, the investors could reap benefits on appreciation of the value of their investment by sale or let out.

Ajay Rotti is a partner with Dhruva Advisors LLP in its Bengaluru practice.

Repatriation of Property Sale Proceeds : Tips to NRIs

The most important point to ponder is the income tax liability in the country of residence on the amount of gain, and whether claiming exemption is really worth it, says Om Ahuja

The recent times have seen an interesting new trend in the whole NRI property debacle - NRIs from North America and Europe coming to India to sell their purchased or inherited real estate after they obtain citizenship in these countries. This is not a trend that has been extensively examined, but it makes perfect sense. Holding on to real estate is not always feasible if one is unable to manage them.

This is especially true if the NRIs in question do not visit India frequently and are not open to renting out their properties. They prefer not to burden relatives and friends with the task of paying property tax, maintenance and society dues and see more sense in encashing the capital value of their inherited properties

Selling such real estate is usually not the biggest challenge. What can create confusion is the viability - and ways and means - of remitting the resulting funds back into the country of residence. There is, in fact, a fairly straight-forward process.

The aspects that come into play are:

Taxation

As in the case of resident Indians, NRIs who sell purchased property after three years from the date of purchase will incur long term capital gains tax of 20%. The gains are calculated as the difference between sale value and indexed cost of purchase. Indexed cost of purchase is nothing but the cost of purchase adjusted to inflation.

Calculation of indexed cost of purchase is easy - many websites provide a calculator; else a chartered accountant can assist.

In case of inherited property, the date and cost of purchase for purposes of computing the period of holding as well as cost of purchase is taken to be the date and cost to the original owner. To be more precise, the amount of long term capital gains together with the cost to the previous owner (i.e. the person from whom the property is inherited) would be considered as the cost of purchase. NRIs are subject to a Tax Deducted at Source (TDS) of 20% on the long term capital gains. But there are certain instances when NRI can get a waiver of the TDS. One such case would be if the NRI is planning to re-invest the capital gains of the property in another property or in tax exempt bonds. In such cases, the NRI will be exempt from tax in India, and no TDS will be deducted either.

If the NRI sells the property before three years have elapsed since the date of purchase, short term capital gains tax at his or her tax slab is incurred. Short term capital gain is calculated as the difference between the sale value and the cost of purchase (without the

REPATRIATION OF PROPERTY SALE PROCEEDS : TIPS TO NRIs

indexation benefit). The NRI will be subject to a TDS of 30% irrespective of his or her tax slab.

NRI selling their properties can apply to the income tax authorities for a tax exemption certificate under section 195 of the Income Tax Act. They must make this application in the same jurisdiction that their PAN belongs to and will be required to show proof of reinvestment of capital gains. If the NRI is planning to buy another house, the allotment letter or payment receipt will need to be produced; if capital gains bonds are chosen instead, an affidavit to this effect will have to be prepared. Usually, buyers withhold the last installment of payment until the NRI produces a certificate of exemption. A NRI has up to two years from the date of sale to invest in another property, or up to six months to invest in bonds.

Tax Exemptions

Section 54 - This section stipulates that if NRI sells a residential property after three years from the date of purchase and reinvest the proceeds into another residential property within two years from the date of sale, the profit generated is exempt to the extent of the cost of new property. To illustrate - if the capital gains is Rs. 10 lakh and the new property costs Rs. 8 lakh, the remaining Rs. 2 lakh are treated as long term capital gains. The sold residential property may be either have been self-occupied property or given on rent. The new property must be held for at least three years.

NRIs cannot invest the proceeds on the sale of a property in India in a foreign property and still avail the benefit of Section 54. However, some recent hearings with the appellate authorities have held that exemption can be claimed under Section 54 even if the new house is purchased outside India. However, this is not explicitly specified clearly under the law, and it is advisable for an NRI to consult a tax expert before making any investment decisions outside India to avail of tax benefits under Section 54.

Section 54EC - This section of the Income Tax Act states that if an NRI sells a long term asset (in this case, a residential property) after three years from the date of purchase and invests the amount of capital gains in bonds of NHAI and REC within six months of the date of sale, he or she will be exempt from capital gains tax. The bonds will remain locked in for a period of three years.

Repatriation

General permission is available to NRIs and PIOs to repatriate the sale proceeds of property inherited from an Indian resident, subject to certain conditions. If those conditions are fulfilled, the NRI need not seek the RBI's permission. However, if the NRI has inherited the property from a person residing outside India, he or she must seek specific permission from the RBI.

The conditions for repatriation of such funds are not really complicated - the amount per financial year (April-March) should not exceed USD 1 million, and should be done through authorized dealers. NRIs must provide documentary evidence with regard to their inheritance of the property, and a certificate from a chartered accountant in the specified format.

What NRIs must pay attention to is the income tax implications in their country of residence. Many countries tax their residents on their income regardless of where it originates from, while others provide partial or total exemption on capital gains arising on sale of a residential house if certain conditions are met. The most important point to ponder is the income tax liability in the country of residence on the amount of gain, and whether claiming exemption under Sections 54/54F/54EC is really worth it. The NRI may, in fact, be better off claiming only partial or no tax exemption on the capital gains in India.

PE Investments Entering a New Phase in Realty Sector

PE investment in Indian real estate has matured and improved but the possibility of focusing on higher returns at the cost of risk again is unlikely, says a survey by JLL India.

Private equity (PE) investment in the real estate sector in India peaked in 2007–08 and then fell in 2009–10. Since then, a gradual and a steady growth in PE activity has been visible. After a decade of ups and downs, PE activity in Indian real estate has picked up its pace. PE investments are entering a new phase of maturity as they experiment with their investment strategies and look for more stability in their new cycle of investments.

Through Press Note 3, the Department of Industrial Policy and Promotion (DIPP) has allowed FDI into Indian real estate in 2003. On the back of considerable underlying demand and huge scope, India started attracting a lot of PE investors, domestic and foreign. After years of moderate-level activity, the investment scene started an upward trajectory with the issue of PN 2 by the DIPP in 2005. The pace sped up significantly until the global financial crisis (GFC) hit the world economy in 2008. While India dedicated fundraising was happening at a fast pace, investment into real estate was keeping up. India's dedicated fund-raising during this period was to the tune of US$ 16 billion through more than 50 funds.

Fund characteristics:

The majority of funds raised (88 percent) during this phase was denominated in US dollars and Singapore dollars, indicating the keen interest of foreign institutional investors in the Indian real estate sector. While few funds focused on residential and retail, the majority (66 percent) had diverse options, encouraging investors to find opportunities arising from different asset classes.

On the other hand, India witnessed investments of US$ 13.6 billion spread across 300 transactions in more than 30 cities in India. The phase can be broken down into two, two-year sub-phases: 2005-06 and 2007-08. While the investment activity remained moderate (64 deals in 12 cities) in the former period, it rose sharply (more than 230 deals in 30 cities) in the latter. It would be realistic to say that in the latter sub-phase, the investors left no stone unturned to participate in the ever-booming Indian economy and real estate growth story. Although the investors and their investment styles varied throughout the phase, the flavour was plain vanilla equity, contributing up to 60 percent of the total investments. This clearly indicates an investor focus on profit sharing, even at the cost of a higher risk.

This phase, which saw investment activity peak in India, witnessed various eye-catching deals. While many investors gained multiple returns, a few suffered losses due to the GFC in the latter half of 2008. The profits and losses were caused by the cumulative effect of various factors, the most important of which were the entry price point, developer credibility and intensity of due diligence.

Sequence of events: Except for 2013 when signs of recovery were visible, all other years witnessed fundraising of around USD 700 million annually. This was an offshoot of the GFC which affected the return and exit options of various funds invested in the previous phase. In terms of numbers, only 29 India dedicated funds, totalling US$ 3.9 billion in over five years, were raised during this phase. Policy inertia further dampened the spirit of (specifically foreign) investors.

PE INVESTMENTS ENTERING A NEW PHASE IN REALTY SECTOR

While funds raised during this phase were limited, they showed more focus. Almost 68 percent of the funds were asset-focused, compared with just 34 percent in the previous phase. In addition, the participation of Indian investors was visible, as they contributed 30 percent of the funds compared to only 12 percent before. This can be attributed to the familiarity in the development of various micro markets rather than macro markets in the country.

The combination of a weak economic scenario across the world and lack of end-use demand due to high property prices in India left opportunistic investors with limited exit options, hence reducing the quantum of overall investment by 30 percent to US$ 8 billion. The focus also shifted from returns on investment to safety of principal; thus, structured equity or mezzanine investment became the preferred route from 2009 onwards, especially in the earlier part of the phase.

In 2009-10, while 47 percent of PE investments in India went through a structured equity route, a large portion of the plain vanilla equity investments were in the core rent-yielding assets, reflecting an increased importance towards safety of principal. As the phase progressed, market confidence started to rise and the focus on plain vanilla equity started to increase; however, it was still largely restricted to non-residential assets. Investment in residential reached more than 55 percent in the earlier part of the phase (2009-10) and reduced to 40 percent in the latter part, reflecting an increasing number of investors who were willing to look at other asset classes in addition to residential. A geographical focus was also highly visible, as only 12 cities enjoyed investment compared with 30 earlier.

While the majority of funds raised so far in this phase are residential-focused, the appetite for industrial and warehouses is increasing; the anticipated success of the passing of the Goods and Service Tax (GST) Bill in the parliament also helped seed up investment. Despite good quality office assets valued closely to their replacement cost, commercial asset-focused funds are surprisingly missing so far in this phase. Interestingly, dollar-denominated funds have increased their participation, but it cannot be said that fundraising outside India is on the rise, as there have been no Singapore-dollar denominated funds so far.

Investment activity in this phase has complemented fundraising, achieving more than 95 deals with an aggregate investment of US$ 3.7 billion in just 18 months. In this calculation, it is interesting to note that we have not considered investment pools and platforms that are yet to be deployed (approximately US$ 2 billion). This clearly shows the rise in optimism in the Indian economy compared with the earlier phase hence in the real estate industry. The investment activity in this phase has remained focused on residential, office and entity/platform levels. By the end of this phase, one may see an increased focus on a few

Real Estate Private Equity - Quick Facts

Description		Trend in Phases 1-3	
	Phase 1(2005-08)	Phase 2(2009-13)	Phase 3(2014-ongoing)
Contribution of top three cities	66%	71%	73%
Number of investors	60+	65+	30+
Number of investees	150+	160+	70+
Average ticket size (USD million)	~44	~30	~39
Domestic investor participation (% of total)	37%	61%	33%
Number of transactions	300+	270+	95+
Investment in residential and office (% of total)	58%	68%	68%
Average tenure of equity investment	5-7 years	Less than 5 years	4-6 years
Intensity of due diligence	3 (1=most lenient; 5=strictest)	4 (1=most lenient; 5=strictest)	4 (1=most lenient; 5=strictest)
Average return expectations	23%	23%	21%
Flavour of the phase	Plain vanilla equity	Structured equity and core assets	Platform level deals

Source: JLL India

PE INVESTMENTS ENTERING A NEW PHASE IN REALTY SECTOR

other asset classes as well; however, the overall target is expected to remain unchanged. Geographically, only seven cities have witnessed investment. While the list will see new entries, we expect the top three to remain unchanged.

If the government manages to fulfill the majority of its promises, there is no denying that this phase will last longer. To make the study more comprehensive, various fund managers have been approached through an online survey to understand the fund-raising scenario, its deployment preferences and the long-term strategies. Below are few interesting findings from the study.

PE investment in Indian real estate started moderately in 2005 before peaking in 2007-08, when opportunistic investors largely dominated the market. However, the GFC in the latter half of 2008 took away most of them, and structured equity gained popularity, largely for non-core asset classes. Following the low in 2009-10, investment activity started to gain momentum at end-2013 in anticipation of the positive election outcome. The optimism increased considerably following the elections and India again started garnering attention from foreign institutional investors, which was missing in the earlier phase. However, compared with the opportunistic investors in the first phase, the current phase has seen the creation of a fewer, but definitely more long-term partnerships, which is what is required for a developing country like India.

Survey Results on Fund-raising

- Fund-raising scenario for Indian real estate has improved, locally and abroad
- More than two-thirds of participants expect an increase in foreign investor participation in Indian real estate.
- Close to two-thirds of participants believed that equity investments would be less than 50% of their portfolio by end-2016.
- Equity would contribute more than 70 percent by end-2016.
- Residential, excluding luxury, remains the most popular choice among investors.
- Commercial office space has considerably high number of investors than for IT/ITES and SEZs.
- Demand for industrial and warehousing is clearly gaining momentum on the back of the anticipated passing of the GST Bill.
- Investors prefer the wait-and-see approach for retail and hospitality sectors.
- Investors prefer to take part in a developer's operations.
- Being part of a developer's journey is the right approach
- Deal flow has improved in the past two years, while the time required to close a deal has increased due to intensity of due diligence.
- For equity investments, investors prefer a well-located project by a credible developer over certainty of future cash flows and approval.
- For structured investments, investors prefer safety over saleability.
- Subject to developer credibility, 73 percent of participants have shown willingness to take approval and construction risk in a residential project.
- Investors are not keen to take approval risk for commercial projects.

While the 2007-08 period saw an excess of 230 deals across 30 cities, the 2014-15 period witnessed 95 deals in just seven cities. The number of investors and investees in the latter phase is half the figure of the earlier period. Investor expectations (especially for structured equity) was reduced, and the due diligence process has become more intensive to ensure better quality investments. Moreover, the average ticket size has increased to US$ 39 million, considerably higher (30 percent) than the earlier period, which means investors are willing to invest more, once they have done their due diligence. In summary, passing through all these phases, PE investment in Indian real estate has matured to a large extent.

PE investment community has learned from the past and has improved, and the possibility of them focusing on higher returns at the cost of risk again is unlikely. If the Indian government, which has generated a lot of hope, works on the right path and delivers what it promised, the industry will have patience and will move positively.

Buying Distressed Properties through Bank Auctions

What are the risks and opportunities involved while investing in properties through bank auctions? Anuj Puri provides a few tips.

Distressed properties are those where the owner has taken a loan against property to acquire the asset and been unable to service his debt obligations. Due to the owner's falling behind on the EMI payments for 4-5 consecutive cycles, the property has been seized by the bank as collateral, and will be sold to recover the interest and unpaid principal amount due to the bank. Such properties are sold through a bank auction and can be acquired at prices which are often well below market value.

Distressed properties are rare, since less than 5% of Indian borrowers default on their obligations for periods long enough to warrant a bank auction. There is also limited scope for getting these properties at throwaway prices, since the base price for the auction is determined by the loan amount outstanding - the further along the owner is in the loan term, the lower the base price. Property owners who have only a few cycles left to repay would prefer to restructure the loan rather than default on payment,

Banks will invariably release an advertisement in all leading local newspapers when they intend to auction off a property or set of properties, so this is the best source of information. A bank's annual report will always mention a provision for bad debts, and the schedules/annexures would reflect if and when any distressed properties will be coming up for auction.

One may also reach out to a property consultant with expertise in the location and specifically inquire about distressed asset opportunities. The consultant can also represent investors in discussions with the original owner, or directly with the bank.

When a bank places the property for auction, one needs to read the bid document carefully to understand the status of unpaid dues. The bid document is like a prospectus of a IPO, where all the facts covering legal title and responsibility for pending dues are stated. Basis the bid document, one can form an opinion on the status of unpaid dues. Most of the time, the property is sold on a 'as is where is' basis and till the date of auction, dues are cleared.

Bank Auction: Of both possible processes, this is lengthier one, with the bank releasing an advertisement, setting a date for the auction, inviting bids, collating the offers and then finally deciding who to sell the property to. It can be even more cumbersome if the buyer himself wants a loan to purchase the property either through the same bank or a different bank. The process also takes longer because the bank has to conduct a thorough due diligence search on the incoming buyer and then draw up

Risks and Opportunities

RISKS	OPPORTUNITIES
It is difficult to know of all the distressed assets available, which by themselves are a smaller portion of all properties in the market	Properties offered at lower cost than existing market prices
In an auction, one has no way of knowing what the highest bid will be, so there is no guarantee of securing the property	Potential to secure a property in a premium location
The original owner may sue the bank, resulting in legal delays for the buyer	Generally, there is less need for legal due diligence, as the bank will have inspected documents before giving a loan
	No risk of non-delivery by the builder

BUYING DISTRESSED PROPERTIES THROUGH BANK AUCTIONS

contracts to transfer the property along with a go-ahead from the owner, and a society NOC.

The bank will obtain an NOC from the society or condominium before conducting the auction. Many societies and their members have first right of refusal, or its members can match the highest bid to buy the property. At the time of obtaining NOC, the society will highlight any liabilities that the new owner will have to bear, and if if any neighbour has been impacted. The banks and its legal counsels will capture such aspects in the bid document, and the bidder can refer to them to assess the liability.

Directly from the actual owner: In this case, the owner and the new buyer would agree on the commercial terms, exchange a token deposit and then complete the bank process to continue with purchase before signing the agreement and accordingly taking possession. The entire bank process of releasing the property, granting the NOC and acquiring the society NOC, as well as repaying the bank loan, can take as long as 2–3 months. The price available here is generally higher than it would be in a bank auction, since the seller will try to recover as much of his initial investment as possible.

Precautions buyers must exercise to avoid risks: Buyers must read the bid document carefully to understand the status of unpaid dues or other liabilities, and should be fully aware of what they are getting in to while buying a distressed property, and aim for a win–win for the bank and the original owner so that there is a limited scope for a legal challenge. They must focus on understanding the history of the property under discussion and also get any historical papers for title due diligence.

Mr Anuj Puri is Chairman & Country Head, JLL India.

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DEVELOPMENT CONTROL NORMS

CMDA TO ALLOW MULTILEVEL PARKING IN HOUSING COMPLEX

In order to ease vehicle congestion, CMDA has suggested to the government for car parking in the upper floors for non-IT buildings, says V Nagarajan

MULTILEVEL CAR PARKING RULES FOR COMPLIANCE

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Assignment by Agreement Holders

What is the legal position when you buy from an agreement holder? Vatsala Dhananjay has a few tips to offer.

1. What is assignment by agreement holders?

In essence this is reselling of agreements or contracts one buyer has signed with a builder to another buyer.

Real estate projects need high initial investment; to raise money, the builders often get into agreements with investors for a block of apartments. The investors pay only a part of the cost price before the project is launched.

This is not a registered agreement and the title will rest with the builder. When the project is started and a part of the project is completed, these individuals (investors) have the right to assign the property or transfer the contract to a new buyer and make a profit on it.

i. Investors

When the project is announced publicly and started, these investors dictate the price for the blocks of apartments that they have already paid for.

Usually, the investors themselves are not directly involved in the sale of the apartments; however, they control the price at which these apartments are sold at. Licensed money lenders also invest in a block of flats and show it as a loan given to the builder; such a block of flats is shown as collateral for the loan.

ii. Individual agreement holders

While investors invest in blocks of flats, individuals can invest in individual apartments. They also enter into unregistered agreements with the developers. These individuals then have the right to assign the apartment

to a new buyer. If the agreement holder has paid up the full amount for the apartment, then the entire profit from the sale goes to him, while the builder gets a transfer fee stipulated in the agreement. If not, the individual will get only a part of the profit. The builder will register the apartment to the buyer directly after the buyer pays the agreement holder.

2. Why do builders offer such contract reselling?

This is one way of raising funds for the development of a property. The initial stages in any real estate project are highly capital-intensive. Since most prospective apartment buyers are unwilling to invest large sums at this early stage, the builders use these types of contracts to raise funds.

3. Legality

Technically all the three parties involved in the transactions, i.e. the developer, agreement holder and buyer should be brought on record through a registered tripartite agreement.

However, the agreement between the developer and the original investor/ agreement holder is unregistered to save on registration charges and to avoid short-term capital gains tax (CGT), especially if there is a black money component to the transaction. The actual buyer then directly enters into a registered sale deed with the developer. The agreement holder gets the profits and the developer only receives the transfer fee that has been previously agreed upon.

Note: If you are buying from an agreement holder who has paid 100% of the payments due to the builder, and the builder will register the sale deed with you directly since are buying, it is better to ask your lawyer to word the sale deed that shows this consideration, and also make the original investor a witness to the deed.

4. Taxation

For investors, the eventual sale of such properties is considered to be a business transaction and is taxed as business income. The rate of tax for individuals is 10%, 20% and 30%, depending on which tax slab is applicable to the individual. For companies or partnerships, the profits are taxed at a flat rate of 30%. Investors are attracted to agreement reselling because selling property by other means attracts capital gains tax on which they cannot claim expenses, while such expenses can be claimed for business income.

Individual resellers who transfer the property through a tripartite agreement have to pay short-term capital gains tax on the transaction according to the applicable tax slab.

Common Mistakes in Property Deals

Though most mistakes made while buying a property can be avoided by a thorough scrutiny of the primary and secondary documents, there can still be certain other issues to watch for, says Vatsala Dhananjay.

1. While getting your documents scrutinised

i. Do not rely exclusively on the bank's or builder's lawyer's opinion

Get a competent and independent lawyer to scrutinise the documents to ensure that the advice you are receiving is entirely in your interest. Ideally, the lawyer should be a local lawyer because zonal land use and acquisitions are state government matters.

ii. Lost originals!

Sometimes lawyers representing banks have a tendency to be unnecessarily bureaucratic, with too much importance being given to the originals of all documents. Originals can sometimes be lost due to human error, and in such cases, posting a public notice and giving a police complaint about the lost document(s) should be sufficient. They also tend to be fussy about small errors in the title documents, which can normally be set right through a rectifcation deed.

Note: If you encounter a seller with a lost original sale deed, ask for an affidavit stating that he/she has not mortgaged the property to a bank.

iii. Family trees

Because of their excessive workload, bank lawyers sometimes tend to overlook certain crucial details pertaining to the family tree, and they may accept the title at face value. This could be risky as there might be family members with claims to the property, and these claims may not show up in the title documents. So the seller should provide a family tree showing all the members of the family along with a signed affidavit stating that there are no heirs, inclusive of daughters, other than the ones mentioned in it. All members mentioned in the family tree should be present while the sale is being registered.

iv. Indemnity bonds or conformation bonds

Whenever you feel that some legal heirs have been left out by the seller, you can draw up indemnity or conformation bonds stating, for example, that the property in question is not the property of a Hindu United Family (HUF) and that it is self-acquired, or declaring that all legal heirs have been disclosed to the buyer.

v. 'Duplicate' sale deeds

On occasion a developer or seller may pass off a sale deed marked as 'duplicate' as the original. Make sure the copy which you are provided with is the original. Duplicates are stamped as duplicates; check for this on the sale deed.

vi. Inspection of original documents

The builder usually has all the original documents, and sometimes, the firm might have pledged the property to a bank. If so, the builder has to provide a NOC from the bank prior to registration of the property stating that the money from the sale goes towards paying of the loan and the property is free of mortgage.

Usually, you need not ask for scrutiny of original documents when the property in question is the landowner's shares of the property, as in most cases of joint development, the landowner share is free of mortgage.

vii. Directly deal with the owner

If you deal with a broker, you should be introduced to the owner by the broker right at the initial stage of obtaining photocopies of the relevant documents. The broker should only act as the middleman. Sometimes, developers appoint marketing agents and these agents are put in charge of giving out documents. Do not make any payments to them (except the booking amount) for the property. Show the documents to the lawyer, and find out to whom payments should be made after obtaining a draft copy of the

COMMON MISTAKES IN PROPERTY DEALS

agreement to sell or the sale deed.

viii. Agreement holders

Agreement holders are persons who have a prior agreement to buy from the sellers of a property. These agreement holders usually enter into an agreement after paying an advance and promise to pay the remaining amount and to registering the property. Many properties, particularly vacant sites, have such agreement holders. Most agreement holders tend to be middlemen who do not actually intend to buy the property. Instead, they look at making profits when the prices rise.

You cannot buy a property from an owner if there is an existing agreement holder for the property. You should check the EC for any registered agreements. Since most of these agreements tend to be unregistered, it is advisable to get the seller to meet your lawyer as this may reveal the actual situation. Another way of flushing out agreement holders is by circulating a public notice in prominent newspapers and also by fencing the property before registration so as to bring any prior agreement holders into the transaction.

ix. Check if the land is being acquired

All land acquisition for public purposes is notified in the gazette, and land acquisition for big projects is usually public knowledge. If you feel that the property which you intend to buy could be notified for such a project, check with the agency executing the project. The BBMP, BDA, KHB, KIADB, Namma Metro and NHAI are some of the agencies which you need to check with to verify if the property is notified to be acquired

x. Check if the property in question is 'granted' land

Granted lands can be broadly categorised into lands which are non-alienable (non-transferable) and those which are transferable. All lands granted to members of the Scheduled Caste and Scheduled Tribes cannot be transferred without the permission of the state government according to the PTCL Act, 1978, even after the expiry of the non-alienation period of 15 years. If on the preliminary scrutiny of the primary documents of title, there is doubt that the land is a granted land, obtain a PTCL endorsement from the Tehsildar clearly stating that no proceedings have been initiated against the present owner of the property under the provisions of the Act.

In case of other granted lands, have your lawyer scrutinise the original grant certificate to check if the conditions of the grant allow for transfer of the land. Some grants have a non-alienation period of 15 years after the expiry of which the land can be sold.

xi. Chain of titles

It is advisable to check the chain of titles for the last 30 years in order to rule out minor interests. In case of family members who are minors during the sale, you will have to wait for them to turn 18 years of age, even after which they have another 3 years to declare a sale made during their minority a voidable sale.

The purchaser who becomes the new owner after the sale, can defend his or her interests better if an indemnity bond is collected from the seller as explained in point iv.

xii. Agreement of sale

The agreement of sale which you enter into with the developer/seller has to have a stamp duty of 0.1% of the value of the property. If it is understamped and subsequently there is a dispute with the seller, the courts will not consider the agreement as evidence. You can rectify an understamped agreement by paying a penalty which is fixed at 10 times the value of the stamp duty.

2. While buying apartments

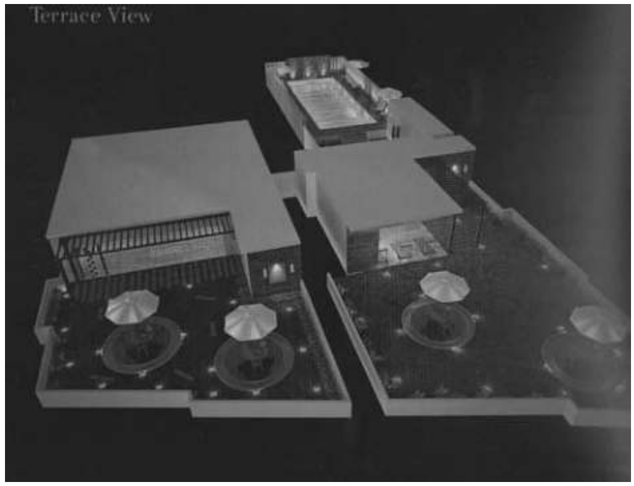
i. Difference between super built-up area, floor area, and carpet area

The carpet area is the area of the apartment which is available for use and does not include the walls of the apartment. The floor area, which is also referred to as the plinth area or built-up area, includes the carpet area along with the inner and outer walls. The super built-up area includes the plinth area and the unit's share of all the common areas in the apartment complex including lifts, corridors, balconies, and other such facilities.

Developers tend to mislead you into

COMMON MISTAKES IN PROPERTY DEALS

believing that the area being sold to you is the area available for your use, but what is being sold is the super built-up area. Therefore, it is essential to check on the actual carpet area of the apartment being sold to you.



ii. Unsanctioned floor

Many apartments have unsanctioned penthouses (apartment on the highest floor). So check the sanction plan to see if the apartment being sold to you is legitimate in this aspect.

iii. Deviation from the sanctioned plan

Apart from illegal penthouses, there are other types of deviations which will increase the size of the apartment over and above the allowed 5% deviation in the sanctioned plan. You can protect yourself with an indemnity clause in your construction agreement stating that there are no deviations from the sanctioned plan.

iv.

Make sure that the builder undertakes to provide you the Khata for the apartment after registration.

v. Hidden charges

Make sure you have the break-up for the service tax (ST), value-added tax (VAT), deposits, maintenance charges, registration and stamp duty charges etc., and the exact amounts for these components while signing the agreement.

vi. Occupancy certificate

An OC is mandatory for all buildings in BBMP limits. Obtain a guarantee from the builder that he will furnish you an OC by a certain date after completion of the project.

vii. Sharing agreement

If the apartment is a joint development, examine the sharing agreement between the developer and the landowner. The sharing agreement shows which apartments can be sold by the developer and which ones can be sold by the landowner. A scrutiny of this document will ensure that the apartment you are being sold is sold by the person who has the rights to sell it. This is critical for ensuring a clear title.

viii. Warranty period

Obtain a warranty for a period of 12 months from the developer against structural defects in the building. This clause is normally present in sale deeds too.

ix. Pre-launch properties

Be wary of investing in pre-launch properties. Builders do it before they get plan sanction approvals and the configuration of the property may change after approval. Or approval itself may get delayed. Or the builder may cancel the project and offer you an exchange in a different pre-launch project.

3. While buying vacant sites

i. Always obtain a physical measurement of the site to check if the site is of the same dimensions as that you are paying for.

ii. For BDA sites

• Fake BDA sites: There are certain sites in layouts which have not been allotted by the BDA. Though such sites may be physically valid, the documents pertaining to the title are likely to be counterfeits. Check with the BDA to find if the site in question is a valid BDA site.

• G category site: Check if the site is a G category site. These sites are allotted at the discretion of the chief minister. Writ petitions have been filed against the allotment of some of these sites. If there is a case in the courts regarding allotment of such a site, be wary of proceeding.

iii. Unauthorised layouts

Sometimes layouts are developed without proper approvals from the plan-sanctioning authorities. These layouts may or may not be converted to non-agricultural use. Some layouts may not be compliant with zonal use. Purchase such sites only at your own risk. Do not believe the marketing hype that the site is legal because betterment charges have been paid. Also note that the BBMP is not authorised to sanction site layout plans.

iv. In gated communities, most developers sell the sites without informing the buyers when the common areas will be developed. So it is advisable to insist on a clause in the agreement for the time-bound completion of these common areas with an option to exit the agreement or of a fine if they are not completed in the timeframe agreed upon.

Other things to look for while buying property are:

4. In case of sale through power of attorney

The buyer must check if the power of attorney has been revoked at any point. The buyer must also ensure that the power of attorney is provided by a person who has a right to give the same. Before the final sale, it is advisable to meet the original owners of the property to ensure that the power of attorney is indeed valid.

5. While buying property from a minor

The minor in such a case can only be represented by a natural guardian. Further, the natural guardian can only sell the property after taking permission from the court.

COMMON MISTAKES IN PROPERTY DEALS

6. While buying property owned by companies

A company can be represented by its authorised director but all company properties can be sold only on the basis of a board resolution. Unless a company deals with real estate property which it owns, the property cannot be sold without a board resolution.

You should also carry out a Register of Companies (ROC) search to rule out charges created created on the company; these will not show up in mortgage documents but only show up in an ROC search. A charge means an interest or right which a lender or creditor obtains in the property of the company by way of security that the company will pay back the debt. Loans taken by the company from a bank are reflected in the ROC search. So ask for an inspection of the original documents, or obtain details through an ROC search about the liabilities of the company.

7. While buying property owned by partnerships

If a property is owned by a partnership firm in the matter of a sale, the firm should be represented by an authorised partner.

8. While buying property from a Hindu Undivided Family

The Hindu Undivided Family (HUF) should be represented by the Kartha (eldest living male member). Buyers should be cautious while buying HUF property as the Kartha can sell the property only if the sale is due to a legal necessity or if the proceeds from the sale are used for the benefit of the entire family, e.g. repayment of loans, for education of the children, or for marriage expenses, and not just because the Kartha wants to sell.

9. For Sellers

i. True market value

Sellers can usually discover the range of market values for their property by looking at comparable listings in classifieds sections of newspapers, online real estate portals etc. In case of apartments, it easier to determine the going price by checking with recent sales, but it is harder to do so for vacant sites and independent houses.

The guidance value for the property is usually not an indicator of market value.

ii. Agreement holders

Sellers need to find out if the prospective buyer is genuine buyer. In many cases, the middlemen pay an advance and hold on to the property without any intention of buying it. They instead scout for prospective buyers to sell the property at a higher rate and pocket the profit. When the second buyer finds this out, it causes confusion. Sellers should check the antecedents of the buyer to check if they are genuine buyers.

Tips for Leasing Residential Property

Investing in rental real estate can be a profitable proposition, but it is by no means a passive process, says Santhosh Kumar

India's cities are growing and creating wide spectrum of opportunities. This means that there are a lot of people flocking to these cities in search of jobs, higher studies or just for a more cosmopolitan lifestyle. In other words, today's real estate market is flooded with leasing demand. The sky-high property prices in the larger cities are keeping the 'buy' option out of the reach of the common man, so the rental market is booming.

Not surprisingly, countless investors are invested in or entering rental real estate. Their objective is to purchase homes and then rent them to tenants. The problem is that many first-time landlords are unaware of the potential risks associated with renting out a property – particularly a residence. Renting out a house in India does not always result in smooth sailing if not approached diligently.

The most common problems that first-time landlords encounter include (a) finding new tenants, especially the right kind (b) delay in payment of rent (c) misuse of the property by the tenant (d) tenants refusing to vacate and (f) tenants not paying maintenance fees (if the rental agreement requires them to).

As the rental season has just begun in India, the time is right to examine the points that a first time landlord should keep in mind while renting out a house to avoid hassles later.

Deciding On The Rent

It is always essential to ascertain the correct rental amount for your property. In such a competitive market, you cannot ask for more than the prevailing market rate. To ascertain this, you need to do a thorough check of the area's current rental rates, and price your rent competitively. Only if your property is well-maintained, fully furnished and offers that extra 'luxe' factor you can charge a consummate premium – and even that needs to be logically calibrated.

Getting the Property Insured

A savvy landlord gets his rental property fully insured. A landlord is always at risk because he is not the one controlling the property, but the tenant. Landlords should consult with their insurance agent to ensure they have the maximum amount of liability coverage for their property.

Listing the Property

Once you have decided the rental amount for your property, the next step is to list the property on the market. You can do that by either listing on online portals or by contacting local agents. If your rental property is an upscale apartment or a bungalow which will fetch a higher rental, a property consultant should be roped in to help you with the leasing.

Drafting the Rental Agreement

Every rental agreement should be in writing and registered. The rental agreement should provide the terms of the lease, monthly rental amount and security deposit. It should specify all the terms and conditions such as who will pay for utilities like water, electricity and maintenance charges. The purpose of tenancy should be clearly mentioned, such as whether the property is being used for commercial or residential purpose. If the rental agreement is set to expire and you and the tenant agree to extend the term of

TIPS FOR LEASING RESIDENTIAL PROPERTY

the lease for a specific period, then the extension should be in writing.

Registering the Agreement

After preparing the agreement, the most important task is to get it registered. It is necessary to register the rental agreement because only then it can be used as evidence in the court in case of any legal action. The amount to be paid for registration and the stamp duty may be borne by the landlord, or it can be paid mutually depending on the situation.

Police Verification

This is one of the most essential parts of the process which helps in background check of the tenant. Not running a background check is a punishable offence under Section 188 of the Indian Penal Code. The landlord has to fill the verification form, obtainable from the state police department website. It must then be submitted to the local police station along with identification proof of the tenant. The local police then conduct the background check and give approval for the rental agreement.

Non-discrimination against Prospective Tenants

A savvy landlord will not discriminate among potential tenants on the basic matters such as religion, gender, familial status, profession or dietary preferences. There are certain situations where refusal to rent out the property is justified, but this at best is a grey area and every instance of refusal needs sound justification in the eye of the law.

Summary

Apart from the above, a landlord should invest the time and effort to conduct periodic checks to make sure that the tenants are not violating any laws or the terms and conditions of the agreement, and to verify that the property is safe. Investing in rental real estate can be a profitable proposition, but it is by no means a passive process. First-time landlords in particular must fully acquaint themselves with the intricacies of a rental situation so that there are no causes to regret later on.

Mr Santhosh Kumar is CEO – Operations & International Director, JLL India

Withholding Tax on Transfer of Immovable Property

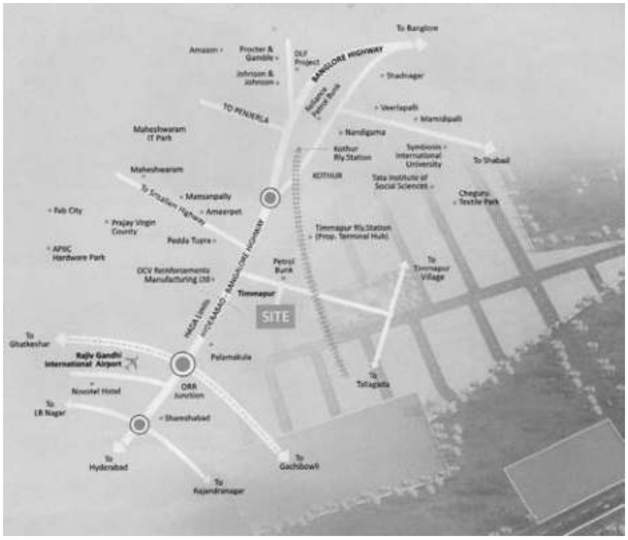
The deterrents awaiting resolution

Courts have held that the TDS liability vests with the person receiving the services or buying the goods and not with an intermediary making payments on behalf of such person, says Ajay Rotti

In order to have a reporting mechanism of transactions in the real estate sector and also to collect tax at the earliest point of time, section 194-IA of the Income-tax Act, 1961 ('the Act') was inserted with effect from 01 June 2013 by the Finance Bill, 2013 to provide that every transferee, at the time of making payment or crediting of any sum as consideration for transfer of immovable property (other than agricultural land) to a resident transferor, shall deduct tax, at the rate of 1% of such sum. In order to reduce the compliance burden on the small taxpayers, no deduction of tax under this provision is required to be made where the total amount of consideration for the transfer of an immovable property is less than Rs 50 lakh.

For the purposes of this section, the situs of the property is immaterial if the seller is a resident in India. The deduction is to be made at the time of payment or credit from the consideration for transfer of the immovable property and hence it would also normally cover cases wherein the transfer of land / building is exempt under the Act. Further, the taxes will have to be withheld on the gross consideration and would include VAT, floor rise, premium for view etc. However, service tax element if indicated separately in the invoice would not attract withholding.

Further, the consideration could be paid by any mode including in kind. One could refer to Supreme Court decision in the case of Kanchanganga Sea Foods Ltd. wherein it was held that withholding would be done on payment in kind too. In cases of payment by instalment, the taxes will have to be withheld on each instance.



Joint Development Agreement ('JDA') is a common in real estate development transactions wherein the landowner enters into an agreement with a developer for construction and development of a property. By virtue of the JDA the Developer gets a development right for the land and no land is per se transferred to the Developer. In such cases an issue arises as to whether the provisions of section 194-IA would get attracted. A reading of the section indicates that it is applicable only on transfer of land or any building or part of a building. A view could be taken that it is not applicable on transfer of development rights. There are divergent judicial rulings on this issue and currently there is no clarity on this front. Also when the consideration to the landowner is payable in the form of built up area, a pertinent question that arises is as to what should be taken to be the consideration of the property, i.e. whether it should be the cost of construction incurred by the developer, fair market value of the property being transferred or fair market value of the built-up-area to be received. Further, the landowner can claim credit for the taxes withheld only in the year in which he offers the same to tax which may not coincide with the year in which the withholding has been done.

The section casts the obligation of withholding tax on the transferee. In cases where the buyer obtains any housing loan from a bank, the liability to withhold tax still remains on the buyer who is the transferee and not the bank. Accordingly, the obligation to withhold tax on the payment made to cannot be shifted to the bank. Courts have held that the TDS liability vests with the person receiving the services or buying the goods and not with an intermediary making payments on behalf of such person. In such cases this could lead to additional cash outflow in the hands of the buyer every time a demand is raised by the builder.

Mr Ajay Rotti is partner with Dhruva Tax Advisors LLP

Practical Aspects of filing Tax Returns in India

by RS Nambi

Some of the important practical aspects on filing tax returns in India are provided below.

1) Mandatory e-filing if taxable income is more than Rs 10 lakh

Recently the Central Board of Direct Taxes (CBDT) in India issued a notification which has made it mandatory for individuals who have annual gross total income (that is, income before any Chapter VI deductions like Sec 80C etc.) in excess of Rs 10 lakh to file their returns online from financial year 2011-2012.

This applies to all individuals including non-resident Indians. So as an NRI with gross total income exceeding Rs 10 lakh in 2014-2015, you must file your returns electronically. There are several options for you to do that. You can file your returns on the income tax website for free. But the process can be cumbersome. You would need to download software, fill in your details and upload an XML file. If you do not attach a digital signature, you would need to print and send a copy of the acknowledgement (known as ITR-V) to the tax office in Bangalore within 120 days from the date of uploading the xml file.

The other, more user-friendly option is to use an online filing website such as hrblockindia.com, taxsmile.com, orelagaan.com. These websites offer end-to-end e-filing service with an option to subscribe for digital signature as well. The fees and features vary among these.

2) Beware of interest liability on non-payment of advance tax

As per the provisions of the Income Tax Act, you must pay advance tax in three installments during the year in case the tax payable, after adjusting TDS is likely to be Rs 10,000 or more. "There are interest implications in case of default in payment of any installments or lesser payment of advance tax. The interest is generally 1 percent per month for the default amount and extends till the date of payment. Therefore, NRIs should evaluate if they were liable to pay advance tax and whether the same was paid in time. If not, they would need to calculate the interest for default and deposit the same before filing the tax return.

3) Don't forget to file a return to claim refund

As per the criteria mentioned earlier, it is possible that you may not have to file a tax return in India at all. However, don't forget that if you have a refund due, you must file a tax return and get a refund of any excess taxes paid. This may happen where the tax deducted at source is more than the actual tax liability. For example, suppose your taxable income for the year was below Rs 1.8 lakh but the bank deducted tax at source on your interest amount, you can claim a refund by filing your tax return. Another instance is when you have a capital loss that can be set-off against capital gains. Tax may have been deducted at source on the capital gains, but you can set-off (or carry forward) capital loss against the gain and lower your actual tax liability. In such cases, you would

PRACTICAL ASPECTS OF FILING TAX RETURNS IN INDIA

need to file a tax return.

If you are expecting a refund, make sure that you put accurate bank details such as account number and MICR code of the branch. If you efile your return, refunds are processed electronically so it is important to give accurate bank account details.

4) Consequences of delay

The last date to file returns for the financial year 2014-2015 is August 31, 2015. However, remember the following:

a) If you do not have any tax payable (that is all your tax has been deducted at source), you can still file your tax return by March 31, 2016 without any penalties

b) If you do have tax payable, you can still file your returns by March 31, 2016 but you will be charged an interest of 1% per month for every month of delay starting from August 31, 2015 till the time you file your tax returns.

c) If you do not file your tax returns even by March 31, 2016, you may be charged a penalty of Rs 5,000 for every year of delay or sometimes may not be able to file your returns at all after 2015.

But remember that irrespective of whether you had tax payable or not, you would not be able to avail of certain provisions if you do not file by 31st August. For instance, suppose you did not have any tax payable but you did have a capital loss to be carried forward to set off against future incomes. If you want to avail the benefit of carry forward, you must file your tax returns by July 31, 2015. Moreover, there are several other consequences. You cannot revise a return that was filed late in the first place. You may also lose out on interest receivable on refund for the period of delayed filing.

5) Exemptions and deductions that you must not miss

a) If you've been away from India for a long time, you have perhaps lost track of the changes in the Indian income tax law over time. Let us quickly recap on the current stand of the law on various incomes.

b) Dividends from equity shares and equity mutual funds is tax free in India

c) Interest received on the NRE account and FCNR account is tax free

d) Long term capital gains on equity shares and equity mutual funds, that is capital gains from sale after one year of purchase, are tax free in India (provided you pay securities transaction tax at time of sale)

e) If you have given a property on rent, you can claim an ad hoc deduction of 30% of net annual value as repairs and maintenance expenses in addition to claiming a deduction on mortgage interest.

f) If you are paying health insurance premium in India for yourself or your dependents, you can claim a deduction under section 80D. If the health insurance is taken for your spouse and dependent children, you can claim a deduction of Rs 15,000 per annum. An additional Rs 15,000 is available as deduction on insurance premium paid on behalf of your parents. If either of your parents is over the age of 65, the additional deduction will be Rs 20,000 instead of Rs 15,000.

g) If you have made any contributions to an approved charity, you can claim a deduction under section 80G.

Investments such as PPF, life insurance premiums, equity linked saving schemes, etc. can be claimed as deduction under section 80C up to a total of Rs 1 lakh per annum.

h) Investments in NPS is also exempt upto Rs 50000.

Mr Nambi is a consultant in the panel of World Bank and ADB and based in Chennai.